

**OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER
&
NORTHAMPTONSHIRE POLICE**

JOINT INDEPENDENT AUDIT COMMITTEE

25th June 2014 at 10.00am to 12.30pm

Greenwell Room, Wootton Hall, Northampton, NN4 0JQ

If you should have any queries in respect of this agenda, please contact John Neilson on 03000 111 222 Ext 346662

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

Further details regarding the process for asking questions or making an address to the Committee are set out at the end of this agenda notice

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AGENDA

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|---|---|----|
| 1 | Apologies for non-attendance. | GN |
| 2 | Declarations of personal and prejudicial interests in respect of items on the agenda. | GN |
| 3 | Announcements by the Chair of the Committee | GN |
| 4 | Minutes of the meeting held on 12 th March 2014 | GN |

Continued overleaf ...

AGENDA (continued)

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|----|--|-------------|
| 5 | Appointments to the Audit Committee | JR |
| 6 | Audit Committee self-assessment | GN |
| 7 | Review of Terms of Reference of the Audit Committee | GN |
| 8 | Internal Audit | Baker Tilly |
| | i. Progress Report | |
| | ii. Annual Report 2013-14 | |
| | iii. Briefing on Risk Registers' themes (verbal) | |
| 9 | External Audit – update report (verbal) | KPMG |
| 10 | Treasury Management | GJ |
| | i. Outturn Report 2013-14 | |
| | ii. Strategy 2014-15 | |
| 11 | Implementation of Internal and External Audit recommendations | |
| | i. Force | GJ |
| | ii. OPCC | JR |
| 12 | Draft Statement of Accounts 2013-14 including: | GJ |
| | i. OPCC Annual Governance Statement | JN |
| | ii. Force Annual Governance Statement | FD |
| | (The actual Draft Statement of Accounts will follow) | |
| 13 | Audit Committee Draft Annual Report | GN |
| 14 | Transformation Portfolio Risk Register and Progress Report | PB |
| 15 | The OPCC approach to Estates Strategy – presentation to be made to Committee meeting | JR |
| 16 | HMIC reviews – Update (verbal) | MJ |
| 17 | Force Dashboard | MJ |
| 18 | OPCC Finance report
2014-15 Budget | JR |
| 19 | Force Strategic Risk Register | MJ / RB |

Continued overleaf ...

AGENDA (continued)

- 20 Such other business by reason of the special circumstances to be specified, the Chairman is of the opinion is of sufficient urgency to warrant consideration. GN

(Members who wish to raise urgent business are requested to inform the Chairman beforehand).

- 21 Items for which the public be excluded from the meeting: GN

In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them:

“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.

- 22 Minutes of the private meeting held on 12th March 2014 GN
- 23 HMIC Reviews – latest feedback on outcomes [verbal report] MJ
- 24 OPCC Risk Register JN
- 25 Possible Private Meeting of Committee Members with the Auditors (if required) GN

Further details regarding the process for asking questions or making an address to the Committee

i. General

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

ii. Notice of questions and addresses

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

Notice of questions or an address to the Committee should be sent to:

John Neilson
Office of the Police and Crime Commissioner
West Wing
Police HQ
Wootton Hall
NORTHAMPTON
NN4 0JQ

Or by email to:

john.neilson@northantspcc.pnn.police.uk

by 12noon 23rd June 2014

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

iii. Scope of questions and addresses

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

Continued overleaf ...

Further details regarding the process for asking questions or making an address to the Committee (continued)

- iv. Asking the question or making the address at the meeting**
The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

- v. The Members of the Committee are:**

Ms G Newton CBE (Chair of the Committee)

Mrs J Haynes

Mr M Pettitt

Mr A Knivett

IAIN BRITTON

ASSISTANT COMMISSIONER (JUSTICE) & MONITORING OFFICER

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**OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER
AND
NORTHAMPTONSHIRE POLICE**

JOINT INDEPENDENT AUDIT COMMITTEE

NOTES OF MEETING HELD ON

12th MARCH 2014

(Excluding Exempt Items)

Ms Newton welcomed all to the meeting in particular Mr T Knivett and Mr M Pettitt, this being their first formal meeting. The meeting is to be the last for Mr R Wootton.

PRESENT:

Audit Committee attendees:

Ms G Newton CBE (Chairperson)
Mrs J Haynes
Mr M Pettitt
Mr R Wootton
Mr T Knivett

Northamptonshire Police and Crime Commission attendees:

Mr I Britton - Chief Executive and Assistant Commissioner - Justice
Mr J Raisin - Interim Assistant Commissioner – Resources
Mr J Neilson - Strategy and Resources Manager
Ms K Buckle - Assistant Commissioner - Governance

Northamptonshire Police attendees:

Mr M Jelley - Deputy Chief Constable
Ms F Davies - Head of Corporate Services
Mr G Jones - Head of Finance and Asset Management
Mr R Baldwin - Force Risk and Continuity Advisor (part)

Other attendees:

Mr P Green - Baker Tilly
Ms S Lane - Baker Tilly
Mr S Lacey - KPMG
Mr J Gorrie - KPMG
Ms K Basra - KPMG
Mrs D Farrow - Minute Taker

1. APOLOGIES

Mr P Green - Baker Tilly

Gill Newton explained the reasons for changes within the agenda stating that they were due to the fact that there was too much on the exempt part of the agenda and it is important that all are reminded of the public accountability in terms of being as open as possible in terms of the Nolan principles.

2. MINUTES OF THE MEETING HELD ON 27 NOVEMBER 2013

It was noted again that the document from the last meeting merely recorded the items presented to the Committee and summarised the presenting officers comments. It did not record the various comments made, points raised and questions asked by the Members of the Committee in respect of each item considered by the Committee at this meeting. It does however record the decisions taken.

As Chair of the Audit Committee Gill Newton was therefore unable to sign the minutes as a true and accurate record of the meeting.

In terms of notes of the meeting however and recognising they are officer inputs officers were asked if they wished to make any amendments. No comments were made by officers or members of the Audit Committee.

Suzanne Lane stated that herself and Patrick Green were shown as RSM Tenon on the previous minutes and asked this to be amended to Baker Tilley.

In terms of public accountability Iain Britton stated that due to the fact that there were no minutes of the meeting of the last meeting they would still be published via the website but with the appropriate caveat.

Appreciation was given to Debbie Farrow for attending to take the minutes. Item 4 on the agenda refers (Support to the Audit Committee).

Jackie Haynes raised the issue of appointments; this will be an agenda item at the June meeting.

ACTION: J RAISIN TO ENSURE THIS IS INCLUDED ON THE JUNE AGENDA.

Iain Britton clarified that electronic versions of the VFM profiles have now been circulated.

ACTION: G NEWTON TO CIRCULATE HARD COPIES TO MEMBERS

3. DECLARATIONS OF PERSONAL INTEREST AND PREJUDICIAL INTERESTS IN RESPECT OF ITEMS ON THE AGENDA

Martin Pettitt made a declaration that his daughter currently worked within the HR department of Northamptonshire Police.

Tony Knivett stated that he was a member of the Police Disciplinary Panel.

Jackie Haynes and Robert Wootton stated that they had sat on an appeal panel recently but this had no relevance to the agenda.

Gill Newton declared an interest as a non executive director of the East Midlands Ambulance Service which is involved in the Estates Board and Strategy.

4. SUPPORT TO THE AUDIT COMMITTEE

Gill Newton confirmed that members had had sight of the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance and asked if there were any additions to this requirement for support to the Audit Commission. Martin Pettitt stated that perhaps not emanating from the CIPFA guidance which he thought was a very comprehensive guidance further training needs/workshops would be useful. Also the setting up of meetings with officers, members of the internal or external audits or other committees/authorities in collaboration with the Audit committee.

In summary the following points were agreed:-

- The committee support person act as point of contact/liaison in terms of the OPCC, the Force, internal and external audit.
- Advise members of relevant training and other events and act as the point of contact in respect of arranging those
- Prepare minutes and action log from the minutes

Gill Newton stated that what members of the committee would like to do at the end of both the public meeting and exempt part of the agenda is to follow a format of alert, advise and assure in terms of the Chief Constable and the PCC alerting the CC and PCC to any key risks e.g. advising on any emergency risks and other relevant subjects and also assure which will help in terms of escalation and communication. Alert, advise and assure will therefore be taken into consideration as the meeting progresses. A response was then required from the CC and OPCC to this request for support to the Audit committee.

Iain Britton responded acknowledging gaps and support for basic administration. He stated that plans are in place to bring in additional resources and interim plans are currently in place whilst this is progressing. Members responded and were satisfied with the response from Iain Britton.

Jackie Haynes stated that since the Audit Committee had been established there had been an issue with regards to capacity and support is urgently required. Robert Wootton stated that this would be of great value to the committee.

5. OPCC TRANSFORMATION PORTFOLIO

Iain Britton gave a PowerPoint presentation in this regard.

Aspire (1)

- Vision agreed by March Transformation Board
- Revenue funding has been received from central government for blue light integration and under change board programme. Further funding round is in the pipeline.
- First tranche of activity underway (volunteers/specials, agile working, business intelligence)
- Development of Blueprint underway and work in progress
- Exploration of options for middle and back office continuing with regional Forces (Notts and Lincs)

Aspire (2)

- Blueprint not fully defined
- Governance arrangements across Police/Fire not yet fully defined
- Hearts and minds not yet engaged across the organisations
- Resources (both capacity and capability) not yet in place
- 900 Specials not on target (currently looking at formulating)

Estates

- Pick Everard developing business case to report by 10 March 2013.
- Expected risks
 - timescales (to make the decision on the business case, the length allocated for planning for new HQ etc) meaning it may not meet objective for late 2015/early 2016 opening of new HQ – impacting on Legacy timescales
 - costs

Following the presentation comments were made by the Board.

Martin Pettitt asked what impact Blueprint had on the estates. Iain Britton responded by stating that the Pick Everard report is a consultancy report. Martin Jelley responded by saying that the Aspire Blueprint is to be agreed in the next 6 – 8 weeks and will be a changing document with other parts within the programme running with different timescales due to the project being much bigger, broader and more ambitious. With so many more interdependencies and different elements the Aspire Blueprint will happen at different times as the way to do things will vastly change. This will be both a risk to the Force and an estates risk and will be taken to the Transformation Board following the Strategy Board.

Gill Newton requested sight of the portfolio risk register for the Transformation Programme as the Audit Committee has to be concerned with this and assurance that the risks are being mitigated. She requested at the next meeting a progress report in terms of key milestones to give an idea of the dates and the interdependencies across the individual programmes.

ACTION TO P BULLEN (OPCC) : A RISK REGISTER WITH REGARDS TO THE TRANSFORMATION PROGRAMME HIGHLIGHTING RED RISKS PARTICULARLY OF THE INDIVIDUAL PROGRAMMES TO BE PRODUCED IN READINESS FOR THE NEXT MEETING TOGETHER WITH A PROGRESS REPORT WITH REGARDS TO KEY MILESTONES AND INTERDEPENDENCIES.

Members of the Board were asked by Gill Newton if they were happy with this approach.

Tony Knivett raised concerns that four of the areas that are high risk are in the Aspire programme and it would have been helpful to have more detail to establish what is being done to reduce those risks. He stated that four risks were raised of which he could only see three within the document

- Develop collaboration
- Increase volunteer participation
- Special Constables at 900

Fiona Davies stated that the fourth risk was achieving financial savings. She then went on to state that regional work was progressing. Bi weekly meetings are being held and business cases being approved at the back end of June. In terms of mitigation the risks are being progressed by the OPCC and the Chief Constable's office.

Martin Jelly and Fiona Davies outlined the position with regards to Specials and Volunteers there being at this time a higher increase in the number of Volunteers than Specials. They also detailed further the amount of work currently going into other parts of the Programme – Police officer numbers, agile working, and estates.

Gill Newton raised the issue of capacity and capability regarding the leadership of the Aspire Programme. Martin Jelley confirmed that he and Fiona Davies were still undertaking their normal roles within the Force in addition to the work they are undertaking with regards to the Aspire Programme but this was being worked through. This has also been flagged up as a risk within the risk register.

Martin Jelley outlined the current position with regards to the Target Operating Model.

Robert Wootton asked about the governance arrangements across the Police and Fire Service. Martin Jelley stated that the current update from the Minister is that the legislation is not likely to change in this parliament but this would not prevent any joint working. There is now a joint Community Safety Department but in terms of governance they are still separate organisations at this time. A process is ongoing with regards to finance arrangements.

Martin Pettitt raised the issue of estates and its scrutiny. A response was given by John Raisin. He stated within his response that there is no interface between the free school and the estates board as the free school has nothing whatsoever to do with the estates board however acknowledged that there should be a business case.

Martin Pettitt questioned the public's perception and suggested that there is stronger communication in making the case for resiting Force HQ and the possible use of the site for a Free School as the impression is that it is a done deal.

Jackie Haynes asked why the subject of the free school was not part of the agenda and requested a map on what is actually occurring in this regard at this time.

Tony Knivett raised the issue of attendance of audit committee members at transformation programme meetings which would both enhance scrutiny of the programme and keep audit committee members informed.

ACTION: IN TERMS OF THE INTERFACE WITH THE ESTATE, THE ISSUE OF THE SPACE REQUIREMENTS AND THE INTERFACE OF THE ASPIRE ESTATES PROGRAMME. I BRITTON TO PROVIDE AN OUTLINE OF THAT AND HOW THOSE INTERDEPENDENCIES OPERATE AND THE TIMESCALES INVOLVED AND TO ALSO PROVIDE A MAP OR DETAILED OUTLINE OF HOW WE WOULD GET TO A POINT OF EXTERNAL SCRUTINY IN TERMS OF THE INTERFACE BETWEEN THE FREE SCHOOL AND FHQ IN TERMS OF THE ESTATES PLAN AND BRING BACK TO THE JUNE MEETING.

ACTION: G NEWTON TO GO BACK TO I BRITTON RE SUGGESTIONS FOR AUDIT MEMBERS TO ATTEND THE VARIOUS PROGRAMME BOARDS AND STAKEHOLDER EVENT.

6. INTERNAL AUDIT STRATEGY

Suzanne Lane presented the Internal Audit report circulated prior to the meeting. Fiona Davies responded to comments made by Martin Pettitt. Robert Wootton and Tony Knivett commented further. Suzanne Lane responded accordingly.

Members approved the internal audit plan with amendments as agreed with the recommendation that the CC and PCC signed the plan off accordingly.

7. EXTERNAL AUDIT PLAN

Jon Gorrie presented the External Audit report circulated prior to the meeting.

Members approved the external audit report and acknowledged that a number of accounting issues were still awaiting external guidance and consequently there would continue to be an ongoing dialogue between primarily Gary Jones and Jon Gorrie.

8. FORCE PERFORMANCE (CRIME) AND DASHBOARD

Gill Newton asked why on the original agreed agenda there was an item on Finance which was not shown on the revised agenda. Gill Newton asked that at the next meeting a short finance report be submitted by both the Force and the OPCC.

ACTION: G JONES TO PROVIDE A SHORT FINANCE REPORT IN READINESS FOR THE NEXT MEETING

Martin Jelley reported that Force performance continues to a very positive portraying currently a 13.9% all crime reduction. Reference was made to Week 48 of the Force summary circulated to members prior to the meeting followed by a summary of the Dashboard also circulated prior to the meeting.

ACTION: M JELLEY TO INCLUDE 'TARGET' WITHIN FUTURE SUMMARIES

ACTION: ALL MEMBERS TO E-MAIL ANY FEEDBACK WITH REGARDS TO FORCE PERFORMANCE TO M JELLEY.

Gill Newton asked for any comments with regards to emerging risks which members wished to highlight and also asked members if assurance could be gained from the Dashboard and the performance report.

Jackie Haynes and Tony Knivett expressed concern that the Force did not have an up to date record of where employees were located and asked what efforts were being made to remedy this. An update was requested for the next meeting.

ACTION: M JELLEY TO INCLUDE STAFFING NUMBERS BY ROLE/FUNCTION IN DASHBOARD

Martin Pettitt flagged up the issue of the HMIC visit which all agreed should be contained within the Force risk register.

Fiona Davies asked if the inference was that all HMIC visits should be flagged as a risk as the Force did not see it as an issue believing that they 'do the right thing' and are a form of assurance. Discussions followed whereby it was established that the HMIC was mentioned within the Risk Register.

In summary Gill Newton stated that the support person to the group should act as a conduit to keep members informed with regards to HMIC visits as they are one of the sources of assurance.

Members agreed assurance from the Force performance report but not from the Dashboard as it is still in draft format.

9. INTERNAL AUDIT PROGRESS REPORT

Suzanne Lane stated that the report was self explanatory. After a brief discussion all accepted the report.

10. URGENT BUSINESS

No further urgent business was declared.

DATES OF FUTURE MEETINGS

Wednesday 25 June 2014 at 1000 in the Greenwell Room, FHQ

Wednesday 10 September 2014 at 1000 in the Small Dining Room, FHQ

Wednesday 3 December 2014 at 1000 in the Greenwell Room, FHQ



Report to the Audit Committee

25th June 2014

Report by the Interim Assistant Commissioner Policy & Resources

APPOINTMENTS TO THE AUDIT COMMITTEE

1. RECOMMENDATIONS

- 1.1 The Committee notes the extension of the appointment to the Audit Committee of Ms Gill Newton CBE and Mrs Jackie Haynes until 30 September 2016.
- 1.2 The Committee propose to the Police & Crime Commissioner and Chief Constable one of their number for appointment as Chair from 1 October 2014 until 30 September 2016.
- 1.3 The Audit Committee prepare a succession plan for discussion at the September 2014 meeting of the Committee.

2. PURPOSE OF THE REPORT

- 2.1 This report provides an update on the membership of the Audit Committee, invites the Committee to make a proposal in respect of the position of Chair for the period 1 October 2014 to 30 September 2016 and to prepare a succession plan (in respect of the membership of the Committee after September 2016) for discussion at its September 2014 meeting.

3. BACKGROUND

The Independent Audit Committee was established following the establishment of the Police and Crime Commission in November 2012. The Committee consists of four members. The current members of the Committee are Jackie Haynes, Tony Knivett, Gill Newton CBE and Martin Pettitt.

Mr Knivett and Mr Pettitt were appointed from 1 December 2013 and their current appointment ends on 30 September 2016. Mrs Haynes and Ms Newton were appointed from 22 November 2012 and their current appointment ends on 30 September 2014.

Gill Newton CBE was appointed Chair from 1 December 2013 until 30 September 2014.

4. PROPOSAL

The current appointments of Jackie Haynes and Gill Newton CBE end on 30 September 2014. The Police and Crime Commission was established in November 2012 and the Audit Committee has therefore needed to build its knowledge and understanding of the Police and Crime Commission, and the revised role of the Chief Constable over the last nineteen months. Only two of the original four members of the Audit Committee (Jackie Haynes and Gill Newton CBE) now remain. The two new members (Tony Knivett and Martin Pettitt) were appointed to the Committee less than seven months ago.

Therefore, given the fact that the Police and Crime Commission has only existed for nineteen months and the need for the Audit Committee to have a good understanding of the new arrangements, it is considered by the Police & Crime Commissioner and Chief Constable that it would be advantageous in facilitating the Committee to fulfil its Terms of Reference to extend the appointments of Jackie Haynes and Gill Newton CBE until 30 September 2016. Mrs Haynes and Ms Newton have indicated their willingness to continue as members of the Committee.

The Police and Crime Commissioner and Chief Constable have therefore confirmed the following appointments to the Audit Committee:

- Mrs Jackie Haynes, Member until 30 September 2016
- Ms Gill Newton CBE Member until 30 September 2016

These appointments were confirmed by Executive Order 37 dated 4 June 2014.

The term of appointment of all four members of the Audit Committee will now end on 30 September 2016. Therefore it is suggested that the members of the Committee prepare a succession plan for discussion at the September 2014 meeting of the Committee.

In autumn 2013 an open external recruitment campaign was undertaken to appoint a new Chair of the Committee. Unfortunately this process failed to result in an appointment. Therefore the Police and Crime Commissioner and Chief Constable appointed Ms Gill Newton CBE as Chair until 30 September 2014.

Consequently there is a need to appoint a new Chair from 1 October 2014. Given the Committee has only existed for nineteen months the Police and Crime Commissioner and Chief Constable are mindful of the potential benefits of maintaining and building upon the experience of the existing members of the Audit Committee. Therefore the Police and Crime Commissioner and Chief Constable have determined that the role

of Chair be filled by an existing member of the Committee for the period 1 October 2014 to 30 September 2016.

Therefore the Audit Committee are invited to propose to the Police and Crime Commissioner and Chief Constable one of their number for appointment as Chair from 1 October 2014 until 30 September 2016. The final decision in respect of the appointment of the Chair will however remain reserved to the Police and Crime Commissioner and Chief Constable.

5. CONCLUSION

The above proposals result in the extension of the term of membership of two Members of the Audit Committee which maintains appropriate continuity in terms of existing experience of membership of the Committee, in the Committee having the opportunity to be formally consulted in respect of the appointment as Chair of the Committee from 1 October 2014, and the arrangements for the membership of the Committee after September 2016.

John Raisin
Interim Assistant Commissioner Policy & Resources

17th June 2014

Report to the Audit Committee

25th June 2014

Report by the Chair of the Committee

INDEPENDENT JOINT AUDIT COMMITTEE SELF ASSESSMENT

The Independent Joint Audit Committee (IJAC) has undertaken a self-assessment utilising the CIPFA toolkit. The following questions received negative or 'work in progress' responses:

- Does the Audit Committee have written Terms of Reference?
Agenda item 25th June 2014
- Have the Terms of Reference been adopted?
Agenda item 25th June 2014
- Are the Terms of Reference reviewed annually?
Include in Terms of Reference
- Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?
OPCC is recruiting a 'support person'
- Has the Committee established a plan of matters to be dealt with across the year?
Will do by Sept 2014
- Does the Committee review and approve a counter fraud work plan at the beginning of the financial year?
Agenda item 25th June 2014
- Are counter fraud plans derived from clear processes based on risk assessment?
Agenda item 25th June 2014

- Does the Committee effectively monitor the implementation of management actions arising from counter fraud reports?
Agenda item 25th June 2014
- Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues?
OPCC is recruiting a 'support person'. Also internal and external auditors provide updates.

Gill Newton

Chair, Independent Audit Committee

8.6.14

Agenda Item 7

NORTHAMPTONSHIRE OFFICE OF THE POLICE AND CRIME COMMISSIONER and CHIEF CONSTABLE

INDEPENDENT JOINT AUDIT COMMITTEE

TERMS OF REFERENCE

1 Purpose

To support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments and the integrity of financial statements and reporting.

2 Membership

- a) The Commissioner will appoint the Committee, after consultation with the Chief Constable.
- b) The Committee shall consist of no fewer than four members.
- c) A quorum shall be two members.
- d) At least one member shall a CCAB qualified accountant with recent and relevant financial experience

- e) The Commissioner will appoint the Chair of the Committee, following consultation with the Chief Constable and the members of the Committee.
- f) The Chair shall normally be a CCAB qualified accountant, with recent and relevant financial experience.
- g) Members shall normally be appointed for a period of up to three years, extendable by no more than two additional three year periods, so long as members continue to be independent.
- h) In the absence of the Chair at any meeting of the Committee, the members attending the meeting will elect a Chair for the meeting.

3 Secretary of the Committee

The Chief Executive of the Commission will nominate an officer from the Commissioner's Office to act as Secretary to the Committee.

Currently this is the Strategic Resources Manager.

4 Frequency of Meetings

- a) Meetings shall be held at least four times each year, timed to align with the financial reporting cycle.
- b) Extra-ordinary meetings can held for specific purposes at the discretion of the Chair.

- c) External or internal auditors may request the Chair to call a meeting if they consider one is necessary.

5 Protocols for Meetings

- a) Agenda and supporting papers will be circulated to members at least five working days prior to any meeting.
- b) Minutes shall be prepared and distributed to members of the Committee, regular attendees and the Commissioner and Chief Constable in draft, unapproved format within 10 working days of the meeting.
- c) All papers/minutes should be read prior to the meeting and the meeting will be conducted on this basis with papers being introduced concisely
- d) It is expected that all actions are reviewed prior to the meeting and updates provided even if individuals cannot attend the meeting.
- e) Standing Orders of the Commission and the Force as appropriate apply to formally established committees. As such, members of this committee may requisition a meeting in writing in line with Standing Orders.
- f) The Chair of the Committee shall draw to the attention of the Commissioner and Chief Constable any issues that require disclosure or require executive action

g) QUESTIONS AND ADDRESSES BY THE PUBLIC

i. General

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

ii. Order of questions and address

(a) Questions will be asked and addresses given in the order notice of them was received, except that the Chair of the Committee may group together similar questions or addresses.

(b) A list of questions and addresses of which notice has been given shall be circulated to members of the Committee at or before the meeting.

iii. Notice of questions and addresses

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting. Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

iv. Scope of questions and addresses

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

v. Asking the question or making the address at the meeting

The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not

exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

6 Attendance at Meetings

- a) The Committee may invite any person to attend its meetings.
- b) The Commissioner and Chief Constable shall be represented at each meeting of the Committee.
- c) The Commissioner's representation will normally comprise the Assistant Commissioners - Justice and Resources [respectively Monitoring Officer and statutory Chief Financial Officer] and/or their respective deputies;
- d) The Chief Constable shall normally be represented by the Deputy Chief Constable and the Chief Financial Officer of the Force, and / or deputy Chief Financial Officer.
- e) Internal and External auditors will normally attend each meeting of the Committee.
- f) There should be at least one meeting each year where the Committee meets the external and internal auditors without the Commissioner's and Chief Constable's officers being present.

This need not be the same meeting; and such meetings would usually take place after the normal Committee meeting has concluded.

7 Authority

- a) The Committee is authorised by the Commissioner and the Chief Constable to:
- investigate any activity within its terms of reference;
 - seek any information it requires from any employee;
 - obtain outside legal or other independent professional advice;
 - secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
 - undertake training of its new members as required.
- b) All employees are directed to co-operate with any request made by the Committee.
- c) The Committee may only make decisions within the remit set out in these Terms of Reference. The Committee has no authority to reverse decisions made by the Commissioner or Chief Constable. It has no authority to incur expenditure.

8 Duties

The duties of the Committee shall be:

A Corporate Governance, Risk Management, Internal Control and the Regulatory Framework

To support the PCC, Chief Constable and statutory officers in ensuring effective governance arrangements are in place and are functioning

efficiently and effectively, across the whole of the Commission's and Force's activities, making any recommendations for improvement, to support the achievement of the organisations' objectives.

Specific annual activities of the Committee will include:

- a) Review of corporate governance arrangements against the 'Good Governance framework';
- b) Consideration of the framework of assurances to assess if it adequately reflects the Commission's and Force's priorities and risks;
- c) Consideration of the processes for assurances that support the Annual Governance Statement;
- d) Consideration of VFM arrangements and review of assurances;
- e) To review any issue referred to it by the statutory officers of the Commission and the Chief Constable and to make recommendations as appropriate;
- f) To monitor the effective development and operation of risk management and to make recommendations as appropriate;
- g) To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies
- h) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

B External Financial Reporting

To scrutinise the draft statements of accounts and annual governance statements prior to approval by the Commissioner and Chief Constable and publication. The Committee will challenge where necessary the actions and judgements of management, and make any recommendations as appropriate, to ensure the integrity of the statements.

Particular attention should be paid to the following:

- Critical accounting policies and practices, and any changes in them;
- Decisions requiring a significant element of judgement;
- The extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed;
- The clarity of disclosures;
- Significant adjustments resulting from the audit;
- Compliance with accounting standards;
- Compliance with other legal requirements

C Internal Audit

The Committee shall monitor and review the internal audit function to ensure that it meets mandatory Internal Audit Standards and Public Sector Internal Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive of the Commission, the Commissioner and Chief Constable.

This will be achieved by:

- a) Overseeing the appointment of the internal auditors and making recommendations to the Commissioner and Chief Constable, who will make the respective appointments;
- b) Consideration of the internal audit strategy and annual plan, and making recommendations as appropriate;
- c) Consideration of the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over corporate governance arrangements, and make recommendations as appropriate;
- d) Consideration of summaries of internal audit reports, and Management's responses, and make recommendations as appropriate;
- e) Consideration of the management and performance of internal audit, and its cost, capacity and capability, in the context of the overall governance and risk management arrangements, and to make recommendations as appropriate;
- f) Consideration of a report from internal audit on agreed recommendations not implemented within a reasonable timescale and make recommendations as appropriate;
- g) Consideration of the effectiveness of the co-ordination between Internal and External Audit, to optimise the use of audit resources;
- h) Consideration of any issues of resignation or dismissal from the Internal Audit function.

D External Audit

The Committee shall review and monitor External Audit's independence and objectivity and the effectiveness of the audit process.

This will be achieved by consideration of:

- a) the Commission's and Force's relationships with the external auditor;
- b) the appointment, re-appointment and removal of the external auditor;
- c) the qualifications, expertise and resources, effectiveness and independence of the external auditor annually;
- d) the external auditor's annual plan, annual audit letter and relevant specific reports as agreed with the external auditor, and make recommendations as appropriate;
- e) the draft Management Representation letters before authorisation by the Commissioner and Chief Constable, giving particular consideration to non-standard issues;
- f) the effectiveness of the audit process;
- g) the effectiveness of relationships between internal and external audit other inspection agencies or relevant bodies;
- h) the Commissioner's and Chief Constable's policies on the engagement of the External Auditors to supply non-audit

services, taking into account relevant ethical guidance and the Audit Commission's requirements.

E Other Assurance Functions

The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation.

F Counter Fraud

The Committee shall satisfy itself:

- a) that the Commission and Force have adequate arrangements in place for detecting fraud and preventing bribery and corruption;
- b) that effective complaints and whistle blowing arrangements exist and proportionate and independent investigation arrangements are in place.

9 Reporting

- a) The Chairman shall be entitled to meet with the Commissioner and Chief Constable prior to their approving the accounts each year;

- b) The Committee shall annually review its Terms of Reference and its own effectiveness and recommend any necessary changes to the Commissioner and Chief Constable;
- c) The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual accounts;
- d) Such a report shall specifically include:
 - A summary of the role of the Committee
 - The names and qualifications of all members of the Committee during the period
 - The number of Committee meetings and attendance by each member; and
 - The way the Committee has discharged its responsibilities
 - An assessment of the Committee's performance against its plan and terms of reference;
 - Identification of the key issues considered by the Committee and those highlighted to the Commissioner and Chief Constable
 - An assessment of Internal and external Audit
- e) If the Commissioner and / or the Chief Constable do not accept the Committee's recommendations regarding the appointment, re-appointment or removal of the external auditor the Committee shall include a statement regarding explaining its recommendation and the reasons why the Commissioner / Chief Constable has taken a different stance in its annual report

10 Standing Agenda Items

The agenda for each meeting of the Committee shall normally include the following:

Procedural items:

Apologies for absence
Declaration of Interests
Minutes of the last meeting
Matters Arising Action Log
Date, time and venue of next meeting

Business items:

Progress Reports

- Internal Audit
- External Audit

Update on implementation of Audit Recommendations

Items for escalation to the Commissioner and / or Chief Constable

Agenda Plan for the next four meetings

11 Accountability

The Committee is accountable to the Commissioner and Chief Constable.

* * * * *

Date this document approved by the	25 June 2014
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Audit Committee and recommended to the Commissioner and Chief Constable	
Approving Bodies	The Police and Crime Commissioner and the Chief Constable
Date Approved by the Commissioner and Chief Constable	
Date of next review	

Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police

Internal Audit Annual Report – Year ended 31 March 2014

Presented at the Joint Audit Committee meeting of: 25 June 2014

Patrick Green

Baker Tilly Risk Advisory Services LLP

1 Internal Audit Opinions

1.1 Context

As the provider of the internal audit service to the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police we are required to provide the Section 151 Officers and the Joint Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Police and Crime Commissioner (OPCC) and the Chief Constable (CC) must have an internal audit service, and there must be an Audit Committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the CC, and summarises the work undertaken during 2013/14.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and CC prepare an informed annual governance statement.

1.2 Internal Audit Opinions 2013/14

Office of the Northamptonshire Police and Crime Commissioner

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Northamptonshire Police and Crime Commissioner's arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Northamptonshire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Northamptonshire Police

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Northamptonshire Police arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Northamptonshire Police has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

1.3 The Basis of the Opinions

1.3.1 Governance

OPCC

We found that the OPCC could take reasonable assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. We concluded that appropriate roles and responsibilities had been documented within the Scheme of Governance, and adequate governance arrangements were in place both internally within the OPCC and externally which includes the Police & Crime Panel. We did however, find that the OPCC had not developed their own range of HR related policies and procedures and we considered the openness and transparency could have been more clearly demonstrated including holding the chief constable to account and reporting of performance and financial information to the public.

Force

We found that the Force could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. We concluded that the Force were also subject to governance through the Scheme of Governance. This was supported by the Chief Officers Group and various operational Boards / Groups were established to support this. In addition, performance reporting was undertaken at varying levels. We found that the controls had been effectively applied and complied with.

We concluded that the governance arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.2 Risk Management

OPCC

The Police and Crime Commissioner (PCC) had produced a draft Risk Management Strategy, however further work was required to arrive at a defined policy ready for formal approval. Reporting was undertaken to the Independent Joint Audit Committee on the proposed risk management methodology and this was adopted. A risk register had been established and this was submitted to the Independent Joint Audit Committee at regular intervals, although it was accepted that enhancements to the register were required and would be undertaken once the Risk Management Policy had been finalised. Responsibility had been established within the PCC with the Assistant Commissioner – Resources for risk management, with delegated responsibility to the Strategic Resources Manager for the development of the Strategy. As risk management within the PCC is currently under development this part of the audit had been reported as advisory.

We have concluded that whilst it was too early in the development of the PCC risk management process to form an opinion of the operation of the system, it was clear that developments completed to the date of our review gave confidence on the proposed design of the system, although we had identified that this was taking longer to develop than our similar Police and Crime Commissioner clients. This view was based on the limited evidence of an early draft of the Risk Management Strategy, reports to the Independent Joint Audit Committee including the Risk Register and discussion with the Strategic Resources Manager on how elements of the process would be developed and embedded in the organisation in the future. It was recognised by the OPCC that there was a need to enhance and co-ordinate risk management between the OPCC and the Force and proposals to undertake this had been submitted to the Independent Joint Audit Committee.

Force

The Force had its own Risk Management Policy and Procedure documents with operational management of the risk management process resting with the Force Risk and Business Continuity Advisor within the Corporate Development Department. The Force was using IPOS to manage their risk registers which was a project management software with an additional module designed for risk management purposes. This contained the departmental registers, and the corporate risk register to which high risks were escalated. The Force had an internal structure for the review, monitoring and reporting of risk with the corporate risk register being reported to the Independent Joint Audit Committee.

We concluded after taking account of the issues identified, the Force could take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

We concluded that the risk management arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.3 Control

We undertook eight assurance reports, of which all provided positive opinions. This included two Green (substantial) assurances, four Amber / Green (reasonable) assurances and two Amber / Red (some) assurance reports. The Amber / Red assurances were in the areas of Detained (Seized) and Found Property and the Joint East Midlands Collaboration - Governance & Financial Framework. In addition, we undertook an advisory review of Change Management.

We concluded that the controls arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.4 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management. There are currently four reports in draft where we are awaiting management responses.

1.3.5 Progress made with previous internal audit recommendations

Our main follow up of the recommendations made previously, including those that were outstanding from previous years, showed that the Force had made adequate progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number followed up	Of which:	
		Addressed	Not implemented or still in progress
High	0	0	0
Medium	8	1	7
Low	14	12	2
Totals	22	13	9

In addition, we followed up the recommendations made with our 2012/13 Pensions Administration audit and found the Little Progress had been made, these recommendations have been taken forward with the Pensions Provider to ensure implementation and a revised action plan agreed.

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 Our Performance

2.1 Wider value-adding delivery

As part of our client service commitment, during 2013/14 we have:

- Issued client updates and general briefings during the year.
- Provided benchmarking within our reports on the number and category of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken joint reviews with your collaborative partners to provide a joint assurance opinion including the Governance Framework.
- Undertaken both advisory and assurance reviews across both Corporations Sole as part of the establishment of the new Governance and Risk Management arrangements. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for consideration.
- Regular contact including Joint Audit Committee pre-meets and ad-hoc telephone calls and queries as required.

2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

2.3 Conflicts of Interest

We (Baker Tilly) have not undertaken any work or activity during 2013/14 that would lead us to declare any conflict of interests.

Appendix A: Internal Audit Opinions and Recommendations 2013/14

Audit <i>(Associated risk where relevant)</i>	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Audits to address specific risks				
Change Management <i>Failure to develop an appropriate change management plan and to then deliver this.</i>	Advisory	1	4	6
Monitoring & Delivery of the Police & Crime Plan <i>Failure to deliver the Police and Crime Plan through an inability to engage and effectively work across partnerships to deliver outcomes and ensure that the Force achieves performance targets.</i>	Green	0	0	1
Data Security Review <i>The security of IT systems is compromised and/or data is lost, damaged, unavailable or disclosed to unauthorised persons.</i>	Amber / Green	0	1	2
Business Continuity <i>A loss to the continuity of critical business operations.</i>	Amber / Green	0	3	1
Collaboration - Governance & Financial Framework (Completed as joint review with East Midlands with allocation from each audit plan)	Amber / Red	0	5	3
Core Assurance				
Governance - OPCC	Amber / Green	0	4	2
Governance – Force	Green	0	0	3
Risk Management – OPCC	Advisory	1	0	0
Risk Management – Force	Amber Green	0	2	1
Financial Controls				
Key Financial Controls	Amber / Green	0	7	3
Other Internal Audit Coverage				
Follow Up of 2012/13 audit on Pensions Administration	Little Progress	0	2	3
Procurement	Green	0	1	0
Operational Areas – Detained (Seized) and Found Property	Amber / Red	0	8	6
Operational Areas - Vetting	Amber / Green	0	0	6
Follow Up – Draft	Adequate Progress	0	3	1
	Total	2	40	38

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the OPCC and Force cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the OPCC and Force can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the OPCC and Force can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the OPCC and Force can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Baker Tilly Risk Advisory Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

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Office of the Northamptonshire Police and Crime Commissioner and Northamptonshire Police

Internal Audit Progress Report

Audit Committee meeting: 25 June 2014

Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 30th July 2013. This report provides an update on progress against that plan and summarises the results of our work to date. The internal audit plan for 2014/15 was approved by the Joint Audit Committee in March 2014, we are currently in the process of agreeing audit dates and scopes with management and will present the progress against the at the next Joint Audit Committees.

Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Equiniti Pensions Administration (1.13/14)	Final Report	Little Progress	0	2	3
Collaboration - Governance & Financial Framework (Completed as joint review with East Midlands with allocation from each audit plan)	Final Report	Amber / Red	0	5	3
Governance Force and OPCC (2.13/14)	Final Report	OPCC - Amber / Green Force - Green	0	4	5
Operational Areas – Detained (Seized) and Found Property (3.13/14)	Final Report	Amber / Red	0	8	6
Business Continuity (4.13/14)	Final Report	Amber / Green	0	3	1
Operational Area - Vetting (5.13/14)	Final Report	Amber / Green	0	0	6
Monitoring & Delivery of the Police and Crime Plan (6.13/14)	Final Report	Green	0	0	1
Procurement (7.13/14)	Final Report	Green	0	1	0
Risk Management (8.13/14)	Final Report	OPCC – Advisory Force – Amber / Green	1	2	1
Change Management Programme (9.13/14)	Final Report	Advisory	1	4	6
Follow Up (10.13/14)	Draft Report				
Key Financial Controls (11.13/14)	Final Report	Amber / Green	0	7	3
Data Security (12.13/14)	Final Report	Amber / Green	0	1	2

Other Matters

Planning and Liaison:

Since the last Committee we have met with the Interim Assistant Commissioner Resources (Section 151 Officer), Head of Corporate Services, Head of Finance and Asset Management and Chair of the Independent Audit Committee to discuss the progress of the audit plan.

Internal Audit Plan 2013/14 & 2014/15 - Change Control:

There have not been any changes to the audit plan since the last meeting.

Information and Briefings: We have issued two updates electronically since the last Joint Audit Committee:

- LGE Update LG eUpdate March 2014
- Local Government News Briefing April 2014

Key Findings from Internal Audit Work (High and Medium Recommendations only)

Assignment: Risk Management (8.13/14)	Opinion: H – 1 M – 2 L – 1	OPCC – Advisory Force – Amber / Green
<p>Office of the Police and Crime Commissioner</p> <p>We have concluded that whilst it is too early in the development of the PCC risk management process to form an opinion of the operation of the system, it is clear that developments completed to the date of this review gave confidence on the proposed design of the system. Although we have identified that this is taking longer to develop than our similar Police and Crime Commissioner clients. This view is based on the limited evidence of an early draft of the Risk Management Strategy, reports to the Independent Audit Committee including the Risk Register and discussion with the Strategic Resources Manager on how elements of the process will be developed and embedded in the organisation in the future. It has been recognised by the OPCC that there is a need to enhance and co-ordinate risk management between the PCC and the Force and proposals to undertake this have been submitted to the Independent Audit Committee. Work is planned to progress this approach.</p> <p>Key Findings</p> <p>OPCC</p> <p>Design of control framework</p> <ul style="list-style-type: none"> • A Risk Management Policy has been drafted, although this is in an early draft. It conforms to the proposed process and methodology presented to the Independent Audit Committee at each of its meetings during 2013. • Responsibilities for risk management have been defined and within the draft policy. • Risks have been identified and assigned to designated risk owners. • Reporting on risk is undertaken to the Independent Audit Committee at regular intervals. • Risks are assessed against agreed criteria and are subject to periodic review. • Risk management training has been identified as a requirement and will be instigated once the Risk Management Policy has been formally approved. 		

Application of and compliance with control framework**The following controls were considered to have been effectively applied and complied with:**

Due to the infancy of risk management within the OPCC testing has been limited. We have however confirmed:

- The Risk Management Strategy has been developed, although this still requires further work to enable it to be formally approved.
- We confirmed from our review that the Police and Crime Plan published in March 2013 sets out how the Police and Crime Commissioner will deliver improvements and change within budget. In discussion with the Strategic Resources Manager, we confirmed that a number of assumptions were made when putting the Plan together. It is these assumptions together with the capabilities of the OPCC to deliver on objectives that have been used to populate the risk register. Although these are not expressed as risks, each is supported by a risk indicator that describes untoward events that would impact on the confidence in those assumptions or capability.
- A review of the risks recorded in the register confirmed that they had been assessed in accordance with the agreed risk matrix.
- A review of the risk register confirmed that each risk has been assigned to a nominated Assistant Commissioner.
- Reviews of the Independent Audit Committee confirmed that the risk register and an accompanying risk report have been submitted to each meeting.

Although we confirmed that a draft policy was in place, and that there had been reporting to the Independent Audit Committee with information on the development of the risk management process and a risk register, there is no timetable for the completion of the policy and the implementation and embedding of risk management within the PCC. Therefore there is a risk that the plans to implement a process will remain aspirational and the accuracy of the risk register will be undermined. We have therefore made a high recommendation.

FORCE**Design of control framework**

- The Force has a Risk Management Policy and procedures which have recently been reviewed and updated.
- The Force have a governance structure in place from Senior Management meetings at departmental level through to the Strategic Tasking and Coordination Group for the assessment, review and monitoring of risks.
- The ownership of risk has been documented as part of the risk procedures and within the risk registers with an owner identified for each risk. There is clear responsibility for managing individual risk registers through the Risk Coordinators and the Force Risk and Business Continuity Advisor.
- Risk registers record the date of review, ownership and description of the risk together with action to mitigate the risk.
- There is a clear risk scoring system using a 5 x 5 matrix explained in the risk procedures and used to score the inherent and residue risk.
- There is review of risk registers at the department level Senior Management meetings where the assessment of new risks and the review of existing risks take place.
- The corporate risk register and strategic risks are reviewed at the Strategic Tasking and Coordination Group each quarter. Work is ongoing to ensure that risks on the Strategic Risk Register are strategic and not operational
- The corporate risk register is submitted to the Independent Audit Committee at agreed intervals.

The following control was found to have been ineffectively designed and a medium priority recommendation has been made to address this:

- Whilst risks have been recorded there is no defined or documented linkage to indicate their alignment to Force objectives. There is an increased risk that corporate objectives may not be met if the risks to the non-achievement of these are not identified, mapped and managed.

Application of and compliance with control framework

- The Risk Management Policy and procedures were reviewed in January 2014.
- Risks have been scored and are assessed in accordance with the risk matrix detailed in the procedures.
- A review of the registers confirmed that risks have been assigned to nominated risk owners.
- We confirmed that training materials on risk have been provided to relevant staff.
- Testing confirmed that roles and responsibilities for risk management have been defined and documented.
- Testing confirmed that there is adequate and effective in Force monitoring and reporting undertaken.
- Testing confirmed that reporting on risk to the Independent Audit Committee occurred in March, September and November 2013. In future the intention is to align reporting timing with the OPCC.

Testing identified the following areas of weakness that have resulted in medium priority recommendations being made:

- A review of the risk registers noted that;
 - These do not include the controls currently in place to mitigate risks; it is therefore not clear what has been used to assess the residue risk.
 - Professional Standards Department risk register is in a different format to the other registers with a layout and content, as a result the information presented is not consistent with them others.
 - Not all risks are adequately explained so it is not clear what the untoward event is and therefore if the actions are adequate to mitigate the risk.

Action	Management Response	Date	Responsible Officer
Rec 1.1 - High OPCC The draft Risk Management Policy should be supported by an implementation plan detailing a target date for finalising the Policy and implementation each area of the risk management process.	Agreed The draft Policy will be taken to the Audit Committee in June 2014 for comment with a view to the Commissioner approving the Policy shortly thereafter. That report will include details of an implementation plan to embed the approach across the Commission	25/06/2014	John Raisin
Rec 2.1 - Medium Force In respect of risk registers: <ul style="list-style-type: none"> • The risk register should record existing controls to manage the risk. • All register should be in the same format to ensure consistent recording • Risk should be adequately defined so it is clear what the untoward event may be. 	Changes will be made to IPSO to include existing controls as well as mitigating actions. Additional training will be provided to Risk Coordinators to ensure that the standard template is used for risk registers. Additional training will be provided to Risk Coordinators to ensure that risk descriptions are recorded using the agreed 'XYZ' format. Existing risk descriptions will be rewritten where required.	30/04/2014 30/04/2014 30/04/2014	Richard Baldwin
Rec 2.1 - Low Force The Force should have a set period at which risks should be reviewed.	Disagreed The review period for each risk is agreed with the risk owner and is dependent on the nature of the risk and the timescale for implementing any mitigating actions. This can vary considerably from one risk to	n/a	

	<p>another and it is therefore not practical to have a set period for reviewing risks.</p> <p>Internal Audit Comment</p> <p>We acknowledge management's responses, however, testing identified a medium risk which had not been reviewed for 6 months, and therefore we would recommend a minimum period to be set.</p>		
<p>Rec 2.3 – Medium Force</p> <p>There should be a link between the Force objectives and risk to meeting those objectives within the risk registers, with assurances to demonstrate that controls and actions are mitigating the risk.</p>	<p>The link between risk and the Force's strategic objectives is already reviewed by the Strategic Tasking and Coordination Group. If possible an additional field will be created in IPSO to record the link between each risk and the Force's objectives.</p>	30/04/2014	RB

Assignment: Change Management Programme – (9.13/14)	<p>Opinion:</p> <p>H – 1</p> <p>M – 4</p> <p>L – 6</p>	Advisory	
<p>Our audit has been undertaken in advisory capacity and therefore no formal assurance is provided. We consider that there has been appropriate governance to determine the programme and projects to deliver the Police and Crime Commissioner's Vision. Programme management controls, in the form of a Portfolio Management Framework, have been developed at a strategic level, however these were introduced in November 2013 and as such have not yet been fully embedded. Our review has identified that there are areas of the Framework that need enhancing and/or clarifying and more importantly there is a need for day to day project management guidance to be developed to aide Project Managers and to ensure that these are run effectively and are aligned to strategic management controls.</p>			
Action	Management Response	Date	Responsible Officer
<p>Rec 1.3 b – Medium</p> <p>In respect of Gate 3 approval within the Portfolio Management Framework inclusion should be made as to how and in what format a Programme should submit to the Transformation Board to seek Gate 3 approval. The PCC should determine whether retrospective Gate 3 approval should be sought for Programmes/Projects that are now into their delivery mode.</p>	<p>Gate 3 approval refers primarily to programmes of the portfolio. It is agreed that additional information could be added to the Framework to make clearer how programmes progress passed this. In effect this is through having in place a clear Blueprint for the future, plans in place for the programme, including clear resource plans, and clearly identified costs, risks and benefits.</p> <p>Retrospective approval is not needed for programmes and projects that have already progressed beyond this point (Institute for example). Aspire's</p>	31 st March 2014	Paul Bullen

	<p>projects that are underway already are forming part of the first tranche of the programme and these will be given approval at the March Transformation Board.</p>		
<p>Rec 1.5 – Medium</p> <p>A Project Management Guide/Toolkit should be developed to provide advice and guidance to Project Managers on the key areas of project management that should be addressed and the associated documentation that should be held. Areas to be included should be:</p> <ul style="list-style-type: none"> • PID development, content and approval requirements. • Project plan development. • Identification of the benefits of the project and how these can be measured. • Identification of key risks, the mapping and management of these. • Reporting requirements. • Establishment of sub or working groups as required, including documentation of Terms of Reference (or a remit) and who should approve these. • Change controls and approval. • Whether there should be any stage reviews (possibly in line with the Gates?) • Identification and recording of issues that may have occurred and have been managed. • Lessons learnt log. • Project closure review and report. <p>Given that projects will vary in stature, complexity and 'cost' consideration could be given to developing a risk based matrix approach to determining the governance of a project depending on the above.</p>	<p>Guidance is needed both at programme and project level.</p> <p>The Portfolio Manager is producing guidance at programme level for all programmes.</p> <p>The Aspire team are producing a project toolkit to agree with the Portfolio Management and to subsequently be used across all programmes.</p> <p>Consideration will be given as part of this to the risk based matrix approach – this is a fundamental principle of MSP and PRINCE2 in any case.</p>	<p>31st October 2014</p>	<p>Paul Bullen/Fiona Davies</p>

<p>Rec 1.7 – Medium</p> <p>In respect of Project Plans we would recommend:</p> <ul style="list-style-type: none"> • A template is produced as a guide for use by Managers to ensure that all key areas are captured. • Start and Finish dates are colour coded or similar to indicate if they are planned or actual dates. • A column is included to annotate any key information on delays to start or finish dates. <p>Project Plans are included as an appendix to the high level progress reports submitted to Programme Boards.</p>	<p>This will be picked up in a project plan guide as part of the project toolkit described in 1.5.</p>	<p>31st October 2014</p>	<p>Paul Bullen/Fiona Davies</p>
<p>Rec 1.8 – High</p> <p>A full review of risk management across the Transformation Programme is required to produce a more cohesive and inclusive approach. To this end we would recommend:</p> <ul style="list-style-type: none"> • There should be a structured approach to identifying and capturing risk through the use of standard registers. The registers should include details of actions to be taken to further manage a risk. • For each Programme there should be a high level (strategic) risk register. • For each Project there should be an operational risk register. • An overarching Transformation risk register maintained by the Transformation Portfolio Manager • Project risk registers should accompany highlight reports to Programme Boards. • Programme risks should be included in the Transformational Portfolio 	<p>The recommendation is agreed but things are much further on than the report suggests:</p> <ul style="list-style-type: none"> - Standard registers are in place and being rolled out - Each programme is beginning to develop their risk registers - Projects have not yet go their own risk register but it is agreed they should have - A Transformation portfolio risk register is in place and being presented to the Transformation Board in March <p>It is agreed that key risks at each level of the portfolio should be captured in highlight reports (rather than all risks in each project being presented to a programme board)</p>	<p>31st May 2014</p>	<p>Paul Bullen</p>

<p>Progress Reports (these are being introduced)</p> <p>Inclusion of key risks in the master Portfolio Progress Report that will be going to the Transformation Board.</p>			
<p>Rec 1.10 – Medium</p> <p>Gate 4 within the Portfolio Management Framework, which seeks approval to formally close a programme/project, should be enhanced to indicate guidance on what documentation, and in what format, should be submitted when applying for approval. Consideration could be given to developing a standard closure report template.</p>	<p>Now updated in Portfolio Management Framework and standard closure report is in place.</p>	<p>30th April 2014</p>	<p>Paul Bullen</p>

<p>Assignment: Key Financial Controls (11.13/14)</p>	<p>Opinion: H – 0 M – 7 L - 3</p>	<p>Amber / Green</p>
<p>Effectiveness</p> <p>Through review of the Managing Finance Group report for November 2013, we noted that Force expenditure was £1.448 million under budget which was at the time of our audit being translated into a forecasted year end under spend of £702k, accounting for large expected future cash flows.</p> <p>As at the 7th of January, the Force had an aged debtor's balance of £84k that was overdue by more than 90 days. Through review, we identified that £75k of this debt was owed by Northampton Town Football Club and Silverstone Circuits Ltd. Through discussion with the Chief Accountant; we were informed that this was standard and accepted by the Force as an acceptable level of debt</p> <p>Design and Application of control framework</p> <p>Testing during this review deemed the following controls to be designed adequately and effectively applied;</p> <p>Budgetary Control</p> <ul style="list-style-type: none"> • The annual budget for 2013/14 was written by the Strategic Resources Manager and was based upon the Medium Term Financial plan, the previous year's actuals and the Police and Crime Commissioners (PCC) vision for the Force. A revenue budget of £122.5 million was approved by the PCC in February 2013; • Monthly budget monitoring reports were produced by the Finance Department and discussed and presented to the Managing Finance Group (MFG). The reports were presented to the PCC on a monthly basis; • On a quarterly basis, the PCC presented a Budgetary Performance Update to the Northamptonshire County Council, Police and Crime Panel (P&CP) for scrutiny; <p>General Ledger</p> <ul style="list-style-type: none"> • Access to the finance system Oracle was restricted to staff with the requirement to use the system as part of their job role. Appropriate access rights were granted in relation to their expected use of the system. Accounts were secured using eight digit alphanumeric passwords which the users are forced to change every 90 days; 		

- Amendments to the access level of a member of staff could only be processed by users with administrative rights. Requests to add or amend user access rights were only processed on receipt of an authorised Service Request;
- Journals were prepared and posted by the Finance Officer without the need for any further authorisation. An appropriate description was given as a narrative for the journal which informs the reader of the reason for the change;
- Reconciliations were undertaken by the Multi-Force Shared Service (MFSS). On completion, they were saved on a shared drive and forwarded to the Chief Accountant for a high level review;

Payroll and Expenses

- New Starters were input on CGI; (the payroll system in place and operated by Logica), by the MFSS Payroll Team based at Northants Police HQ. On receipt of a service request from the MFSS HR team, the Payroll Team input the new starters' details and signed printed copies of the Starter/ Mover Forms. The inputs were checked by a second member of staff;
- Leavers were processed on CGI on receipt of a notification. Service requests were received from MFSS HR with an attached Notice to Retire/Resign form which contained all of the relevant details to complete the final salary calculations;
- Amendments were processed by MFSS HR on Oracle. On a regular basis, the Payroll Team produced a report containing all amendments processed on Oracle which were then uploaded onto CGI;
- All employees were automatically enrolled on the respective Officer or Staff Pension Scheme. Payment contributions were national prescribed by the Government;
- Monthly KPI reports were produced which contained performance statistics for the Payroll Team. The KPIs were reviewed as part of the monthly 'Recruit to Retire forum' which consisted of employees from both Northants Police and MFSS;

Income and Debtors

- Sales invoices were raised by MFSS on receipt of service requests. The service request must have attached a completed Request for Invoice Form with all of the relevant details. All checks for authorisation were undertaken by MFSS;
- Debt chasing was undertaken by MFSS on behalf of the Force. If a debt remained uncollected for more than 90 days, it was referred to the Regional Legal Team to be chased through the courts. If it was deemed uneconomical to use the courts or the courts were unsuccessful, the case was referred to the Finance Team at Northants Police HQ for write off;
- Debts were only written off once all options to recover the funds had been undertaken. The Chief Constable was allowed to authorised the write off of debt up to the value of £20,000, with any value greater to be referred to the PCC for approval;
- Credit notes were raised by MFSS on receipt of a service request. The service requests should have attached a completed Request for Invoice Form with all of the relevant details. All checks for authorisation were undertaken by MFSS;

Fixed Assets

- The Force had a Fixed Asset Register. The register was maintained by the Chief Accountant and the Strategic Exchequer & Corporate Accountant. Individual asset registers were maintained for Land, Buildings, Vehicles and Equipment which were compiled at year end to form the fixed asset register.
- Verification exercises were undertaken on an annual basis by the Head of Transport and Travel and the Head of Estates. The exercises ensured their asset registers remained up to date and accurately reflected the stock;
- The Chief Constable could approve the disposal of surplus land and buildings, vehicles, leases and items of equipment up to values detailed within the Financial Regulations. Disposals above the threshold values were required to be reported to the PCC for prior approval;
- Inventories were maintained for Stocks and Stores and, the Force Armoury. Routine verification exercises were undertaken to ensure that the records accurately reflected the stock held in stores.

Treasury Management

- The Force had a Treasury Management Strategy for 2013/14. The strategy was written by the Strategic Exchequer & Corporate Accountant and approved by the Police and Crime Commissioner (PCC) in April 2013. The Strategy includes the institutions with whom the organisation can invest and also the maximum limits for such investments.

- As at January 2013, the Force had five loans with a total borrowing of £4.3 million and five investments with a total value of £9 million. A total of 23 investments had been collected during the year, a total of £32 million pounds had been invested for various time scales which had returned to the Force £53,000 in interest.

Testing during this review identified four instances where the control had not been adequately designed and these have resulted in medium priority recommendations;

Payroll

- The Payroll Team do not undertake any reconciliation between the expenses report extracted from Oracle to the report uploaded to CGI once it has been restructured to a compatible format. There is a risk of financial loss to the Force if entries in the file have been incorrectly manipulated or fraudulently amended. **(Medium)**
- A random sample test was not undertaken on expenses to ensure that sufficient evidence was available for each payment. There is an inherent risk that incorrect or fraudulent expense claims are being made resulting in a financial loss to the Force. The Force is unable to quantify the total cost of these claims to ensure that any losses are immaterial unless a sample of claims is verified. **(Medium)**
- Payment runs were prepared by the Payroll Team after reviewing exception reports to highlight any potential errors. The BACS schedule was prepared by Logica and then reviewed and released by the Senior Payroll Officer, however we have been unable to verify if there is an appropriate documented delegated authority to enable the Payroll Officers to exercise this authorisation. There is a risk that significant funds could be authorised for release from the Force's bank account without appropriate delegated authority. **(Medium)**

Fixed Assets

- No verification of IT assets was undertaken on a periodic basis. If periodic verifications are not undertaken there is a risk that the records held in the Information Systems Department (ISD) databases may not reflect actual numbers of items held. This may result in inaccurate records of items held which may also prevent identification of any discrepancies or missing items. **(Medium)**

Recommendations to resolve these issues are detailed fully within the action plan in section 2.

Application of and compliance with control framework

Testing during this review identified three issues with the application and compliance of the control framework which have led to medium priority recommendations;

Budgetary Control

- Figures presented to the Northamptonshire County Council, Police and Crime Panel (P&CP) did not match those within the Managing Finance Group report on which it was based. There is a risk of reputational and loss if it is discovered that the P&CP are not receiving reports based on the full budget. **(Medium)**

Fixed Assets

- Debt write off and Asset Disposal limits have not been formally recorded or delegated beyond the Chief Constable. There is a risk that debts could be written off or assets could be disposed of without receiving the appropriate authorisation in line with the financial regulations. There is a risk of financial loss to the Force. **(Medium)**

Treasury Management

- Testing on Treasury Management investments noted instances where investments have been in made, and are currently being made, with overseas banks that are in excess of the Treasury Management Strategy parameters, these being a maximum investment of £1m with a length not exceeding 30 days. However we are advised that the Treasury Management Strategy states that 'Therefore, it has been determined that where the Commission is unable to place deposits with providers that meet the minimum creditworthiness criteria, a provider offers interest that are either negative or zero or those providers require deposits that is above the maximum investible threshold for the Commission, that the Commission assumes a strategy to minimise the risk to cash balances and to maintain Value for Money within the TM strategy'.
- We were informed that it is on this basis that the investments have been, however we have not been provided with any formal documentation that provides the required Commission authorisation to support the investments. There is a risk that public monies may be invested in inappropriate institutions that could increase the potential for a sizeable investment to be lost. **(Medium)**

Action	Management Response	Date	Responsible Officer
Budgetary Control			
Rec 1.1 – Low The Office of the Police and Crime Commissioner should ensure that all links to budget documents are working on their website.	Agreed	30 th April 2014	Richard Edmondson
Rec 1.2 – Medium The OPCC should review the budgetary information being presented to the Police and Crime Panel and ensure that it is consistent with the management information presented to them by the Finance Team.	The OPCC has always strived to ensure the information presented to the Police and Crime Panel is correct and will continue to do so.	31 st March 2014	John Raisin
Payroll			
Rec 3.2 – Low The Force should review the employee 'leaver' process and ensure that appropriate leaver forms are received by the Payroll Team in a timely manner so that they can be handled within the processing deadlines.	MFSS will review the leaver forms to ensure that these are suitable for use for all types of leavers	01.04.14	Pam Rourke
Rec 3.3a – Medium The Payroll team should reconcile the expenses file exported from Oracle to the restructured file which is uploaded to CGI prior to the payroll.	Payroll Procedures will be updated to include a check on the total value of the original expenses file against the restructured file,	01.04.14	Pam Rourke
Rec 3.3b – Medium The Payroll team should undertake a random sample test of claims to evidentiary documentation to confirm their validity providing assurance on the control provided by the expense claims process.	Receipts should be scanned in for the claims, therefore as part of the random audit function this would be part of the audit review & as such this is already completed.	01.04.14	Pam Rourke
Rec 3.4 – Medium A formal delegation from the Chief Constable, or alternatively Financial Regulations are amended, to specify delegated responsibility to Senior Payroll staff to provide authorisation to Logica to process payroll runs.	The Chief Accountant, will implement this within the Financial Regulations.	01.04.14	Nick Alexander

Income and Debt Management			
Rec 4.1 – Medium The Force should formally document the debt write off and disposal limits that have been delegated by the Chief Constable and ensure that they are communicated to the relevant staff.	Agreed, this will be completed within the new 2014/15 Financial Regulations.	01.04.14	Nick Alexander
Asset Management			
Rec 5.1 – Medium Reconciliation should be undertaken on a periodic basis between the LANDesk system and the Fixed Asset register to ensure that accurate records are maintained. Periodic verifications should be undertaken against the items held in the LANDesk system to ensure the accuracy of records is maintained. This could be done on a sample basis to identify the highest value items.	Once the personal issue of equipment has been completed upon Oracle, we will look to issue unique reference no's within LANDesk for these within Oracle to allow a reconciliation between the two. Budget managers will be surveyed to ask for physical verification of assets.	01.09.14	Nick Alexander
Rec 5.2 – Medium The Force should ensure that the Fixed Asset Register encompasses all vehicles owned at the year end.	A review of vehicles is being completed with the Head of Transport to ensure the vehicles are fully reconciled. Processes for disposal of vehicles will be explicitly outlined within the Financial Regulations.	01.04.14	Nick Alexander
Treasury Management			
Rec 6.1 – Medium The Treasury Management Strategy should be enhanced to include more explicit guidance around making investments in institutions, both UK and Overseas, which are in excess of either, or both, the stated maximum value and term of deposit. The Strategy should state who has authority to approve such investments and a written record of such approvals should be maintained with the investment paperwork.	Agreed, the description of this within the Treasury Management Strategy has been re-drafted to make this point more explicit & it is already part of the 2014/15 TM strategy being signed off by the OPCC on 1 st April 2014.	01.04.14	Nick Alexander

Assignment: Data Security (12.13/14)	Opinion: H – 0 M – 1 L - 2	Amber / Green
<p>Design of control framework</p> <p>We identified a number of well-designed controls, including in particular:</p> <ul style="list-style-type: none"> • Responsibilities for information security within Northamptonshire Police have been documented and allocated to individuals and groups according to HMG information Security Guidelines. They include the key roles of SIRO (Senior Information Risk Owner), ISO (Information Security Officer) and an information governance group, the Information Assurance Board. These arrangements reduce the risks of: <ul style="list-style-type: none"> • Inadequate strategic direction for and oversight of the information security process, as well as lack of senior accountability. • Non-compliance with government and Force guidelines on information security. • Staff with information security responsibilities misunderstanding their roles and not carrying out their information assurance duties accordingly. This could lead in turn to key information security operations being undertaken incompletely or incorrectly and an increased number of data security breaches. • A comprehensive set of Information Security Management and Acceptable Use policies have been produced and made available to staff across the whole Force, reducing the risk that staff will be unaware of management's intentions regarding the protection of data from unauthorised access, loss or misuse and their own role in using Force equipment and systems in ways which minimise such threats. • Policies and procedures regarding the use of mobile computing equipment and portable storage devices have been documented and communicated across the Force, reducing the risk of a lack of staff awareness of the threats to the security of systems and data held on, downloaded to or otherwise accessible via the devices concerned, which could lead to disclosure of confidential information to unauthorised persons or losses of data integrity or availability. • Three factor remote access authentication procedures are in place, including the use of a PIN and password for a physical token, followed by the requirement to input the remote user's Windows credentials, reducing the risk of unauthorised remote access to networked systems and data. • Safend Endpoint software has been deployed across the whole Force estate which forces the encryption of all external storage devices, such as USB memory sticks, attached to the Force's networked computers, reducing the risk that confidential and sensitive police business or personal data extracted to such devices will be disclosed to unauthorised persons. • Encryption software has also been deployed on the hard drives of the Force's 'Executive' and 'Standard' laptops which, together with the associated logon control procedures in place, reduces the risk of unauthorised access to laptops and confidential business or personal data held on or accessible via such devices, which could lead to breaches of data security and confidentiality. • New Force staff are required to successfully undertake computer-based training on a range of information security policies and procedures before they are allowed access to internal computing facilities and associated systems and data, and a series of information security refresher courses are planned to be implemented and rolled out to existing staff in the coming year. These arrangements reduce the risk of lack of awareness of data security threats and controls, leading to staff handling and processing data insecurely, which could result in breaches of data confidentiality, integrity and availability. • The Force's network level logical access control settings are strong and broadly line with best practice and industry standards, reducing the risk of unauthorised users guessing or otherwise determining the logon credentials of genuine users and exploiting their user accounts to gain access to confidential police business and personal data. • Documented Security Incident Management procedures, including standard incident reporting forms, and covering internal and Home Office reporting arrangements, have been produced and communicated to all staff, reducing the risk that: <ul style="list-style-type: none"> ▪ Not all incidents are recorded and appropriate mitigation procedures are not taken to minimise any exposure for the Force e.g. data losses, disclosure of confidential information to unauthorised individuals, and to remedy any particular control weaknesses identified. 		

- Home Office incident reporting procedures are not complied with.
- Statutory information security responsibilities e.g. The Data Protection Act 1998, are not complied with.
- Standard procedures have been designed for the secure destruction of data held on IT assets for disposal, a function which is carried out by the Force's contracted disposal specialists, Greenworld Electronics Ltd. They include the secure overwriting of hard disc drives or the degaussing (demagnetising) of the discs to render data unreadable, and the provision to the Force of data destruction certificates confirming that data has been destroyed according to CESG's Baseline standard and the identity of the machines/media concerned. These arrangements reduce the risks that:
 - Data on disposal items is not destroyed securely, resulting in the disclosure of confidential and sensitive police business or personal information to unauthorised persons.
 - The identity of assets which have either been degaussed or on which any data has been securely overwritten is not recorded, leading to difficulties in tracing items in the event of investigation into any instances of unauthorised access to Force data on machines that have been disposed of e.g. if the machines are sold on/given to deserving causes, such as charities.

However, we did identify two design control weaknesses in relation to the Force's data security arrangements which have resulted in one Medium priority and one Low priority recommendation being made, principally:

- At the time of this review, the Force did not have a process for regularly reviewing user access at the network level, with the aim of identifying unused user accounts. However, we do acknowledge that a Change Request has been produced regarding the development of a script to automatically disable user logins at the network (Windows Active Directory) level after an agreed period e.g. four weeks, which would assist this process, but we were notified that this change has not yet been approved and no firm date for its implementation has been planned, due to resource constraints and the prioritisation of other changes. This situation increases the risks that:
 - Live but unused user accounts which are no longer required could be exploited to log on to the network and gain access to confidential Force systems and data, without such activity being detected. This could occur, for example, either through deliberate attempts to learn the id and password of a user who may have left the Force, or by accident, if the user id and first time password of a user who has never logged in are inadvertently passed to another individual.
 - The Force continuing to pay for Windows software licences which are no longer required based on an incorrect user count.
- Activity logging procedures for Blackberry devices are inadequate in terms of log format and data retention, increasing the risk that there is an insufficient audit trail to support investigations into instances of Blackberry misuse, and delays to the investigation process, which could lead to further breaches of data security and confidentiality.

Application of and compliance with control framework

Our testing of the recurring controls identified and evaluated as part of the remit of this audit are generally operating and being complied with. In particular:

- We reviewed the documented role profiles for the Force's SIRO and Information Security Officer and confirmed that they were aligned with the government's standard profiles for these areas of responsibility.
- Sample testing was conducted of the logon process on an Executive laptop. We verified the deployment of the E-Clypt software to enter the 'collar number' and a password of 15 characters before being able to access the machine.
- We selected two recent quarters (April and July 2013) and confirmed that incident reports had been submitted by Northamptonshire Police to the Home Office on the standard forms, as required under standard Home Office incident reporting procedures.

However, one instances of non-compliance with the data security control framework was identified:

- We identified online using of the Safend Enterprise console and assisted by the infrastructure engineer responsible for the Force's Safend Endpoint software, that the software had been successfully deployed on all desktop and laptop machines across the Force's computer estate, other than for 30 devices.

We confirmed however, that a detailed review had not been conducted on the 30 devices concerned, to verify whether they were still in live use or had been decommissioned or otherwise removed from the network and no longer required the Safend software updates.

The lack of comprehensive and regular checks on machines on which the Safend deployment has failed, increases the risk of Force data being downloaded onto unapproved devices and to such data not being encrypted, resulting in turn in breaches of data confidentiality and security.

Overall, Northamptonshire Police should address the issues above and the recommendations set out in this report to further improve the control framework over its data security arrangements.

Action	Management Response	Date	Responsible Officer
<p>Rec 3.3 – Medium</p> <p>Management should ensure that a process is implemented for the periodic and regular identification of unused user accounts at the network level and for promptly disabling all accounts that are no longer required, including email accounts, e.g. because the users concerned have left the Force, are on an approved period of medium to long term absence or have changed duties.</p>	<p>The pending Change Request, at the time of the audit, has been reprioritised to support more effective management of User Accounts.</p> <p>We will periodically review our overall approach to Account Management and report findings and recommendations to the Force Information Assurance Board.</p>	31-12-2014	ISD Operations Manager

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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**NORTHAMPTONSHIRE POLICE AND CRIME
COMMISSIONER**

1st April 2014

**Treasury Management Strategy Statement
2014-15**

Minimum Revenue Provision Policy Statement
and
Annual Investment Statement

1. Introduction

1.1 Background

Treasury management is defined as:

“The management of the OPCC investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 Statutory requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Commission to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Commission's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Commission to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Commission's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

1.3 CIPFA requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009 with some smaller revisions in 2011) was adopted by the former Northamptonshire Police Authority on 1st April 2010, alongside the adopted Financial Code of Practice. Then subsequently in accordance with the Police Reform and Social Responsibility Act 2011, by the OPCC on 22nd November 2012.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Commission's treasury management activities.
 2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Commission will seek to achieve those policies and objectives.
 3. Receipt by the Commission of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and
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Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Commissioner of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 5. Delegation by the Commissioner of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Commission the delegated body is the Audit Committee.
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1.4 Treasury Management Strategy for 2014/15

The strategy for 2014/15 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Commission's treasury adviser, Capita.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Commission
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the MRP strategy

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Commission to produce a balanced budget to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
 2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Commission for the foreseeable future
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2. Treasury Limits for 2014/15 to 2015/16, Actuals for 2013/14 and estimates to 2017/18

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Commission to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Commission must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon the future Commission Council Tax is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in appendix 3 of this report.

3. Current Portfolio Position

The Commission's forecast treasury portfolio position at 1st April 2014 comprised:

TABLE 1		£'m	£'m	Average rate %
Fixed rate funding:	-PWLb	4.30		4.54%
	-Market	0.00		
			4.30	4.54%
Variable rate funding:	-PWLb	0.00		
	-Market	0.00		
Other long term liabilities:			0.0	
Gross Debt			4.30	4.54%
Total investments			(25.3)	0.66%
Net Borrowing			(21.0)	

4. Borrowing Requirement

The Commission's estimated borrowing requirement is as follows:

TABLE 2	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate
					0
Opening Borrowing	4,300	4,300	16,092	22,016	25,620
New Borrowing	0	11,792	5,924	3,604	1,254
Alternative Financing Arrangements	0	0	0	0	0
Replacement Borrowing	0	0	0	0	0
Total CFR (borrowing requirement)	4,300	16,092	22,016	25,620	26,874

5. Prudential and Treasury Indicators for 2013/14 – 2015/16

Prudential and Treasury Indicators (as set out in tables 3, 4 and 5 in appendix 3 to this report) are relevant for the purposes of setting an integrated treasury management strategy.

The Commission is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted and the revised 2009 Code was adopted by the former Northamptonshire Police Authority on 1st April 2010 and by virtue of this decision has continued to be adopted by the OPCC

6. Prospects for Interest Rates

The Commission has appointed Capita as treasury advisor to the Commission and part of their service is to assist the Commission to formulate a view on interest rates. Appendix 2 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Capita central view.

Bank Rate forecast for financial year ends (March)

Annual Average %	Bank Rate %
Mar 2014	0.50
Jun 2014	0.50
Sep 2014	0.50
Dec 2014	0.50
Mar 2015	0.50
Jun 2015	0.50
Sep 2015	0.50
Dec 2015	0.75
Mar 2016	0.75
Jun 2016	1.00
Sep 2016	1.25
Dec 2016	1.50
Mar 2017	1.75

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation revised forecasts prove to be too optimistic.

7. Borrowing Strategy

7.1 Borrowing rates

The Capita comparison and forecast for the PWLB new borrowing rate is as follows: -

Annual Average %	PWLB Borrowing Rates % (including certainty rate adjustment)		
	5 year	25 year	50 year
Mar 2014	2.60	4.40	4.40
Jun 2014	2.60	4.40	4.50
Sep 2014	2.70	4.50	4.50
Dec 2014	2.80	4.60	4.60
Mar 2015	2.90	4.70	4.70
Jun 2015	2.90	4.70	4.80
Sep 2015	3.00	4.80	4.90
Dec 2015	3.10	4.90	5.00
Mar 2016	3.20	5.00	5.10
Jun 2016	3.20	5.00	5.10
Sep 2016	3.30	5.10	5.10
Dec 2016	3.40	5.10	5.20
Mar 2017	3.50	5.10	5.20

The Commission's borrowing strategy will give consideration to new borrowing in the following order of priority: -

1. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years
2. Temporary borrowing from the money markets or other local authorities
3. PWLB variable rate loans for up to 10 years
4. Short dated borrowing from non PWLB below sources
5. Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
6. PWLB borrowing for periods under 5 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt

Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Commission officers and appropriate Force personnel, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
 - *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*
-

7.2 External v. internal borrowing

- This Commission currently has a net investments (after deducting outstanding borrowing), of £21m.
- The general aim of this treasury management strategy is to optimise the amount of long term funding taken over the next 3 years taking into account the credit risk incurred with investments. However, measures taken have already reduced substantially the level of credit risk so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Commission obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- The next financial year is expected to be, when compared to the long term average, abnormally low in respect of historical bank rates. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- However, short term savings by avoiding new long term external borrowing in 2014/15 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- The Commission has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has potentially meant that large premiums would be incurred by such action; such levels of premiums are unlikely to be justifiable on value for money grounds. This situation will be monitored in case these differentials are narrowed by the PWLB at some future date.

Against this background caution will be adopted with the 2014/15 treasury operations. The Head of Corporate Services (the Chief Constable's S151 Officer) will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Assistant Commissioner, Resources (The Police and Crime Commissioner's S151 Officer) at the next available opportunity.

7.3 Policy on borrowing in advance of need

The Commission will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Commission can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Commission will: -

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

8. Debt Rescheduling

The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Commission's maturity profile as in recent years there has been a skew towards longer dated PWLB.

The reasons for any rescheduling to take place will include: -

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the strategy outlined in paragraph 7 above
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Audit Committee, at the earliest meeting following its action.

9. Annual Investment Strategy

9.1 Investment Policy

The Commission will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Commission's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

The Commission will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Commission is low in order to give priority to security of its investments.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Commission will not engage in such activity.

Investment instruments identified for use in the financial year are listed in appendix 4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Commission's Treasury Management Practices – Schedules.

9.2 Creditworthiness policy (Appendix 8)

This Commission uses the creditworthiness service provided by Capita. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Commission to determine the duration for investments and are therefore referred to as durational bands. The Commission is satisfied that this service now gives an improved level of security for its investments. It is also a service which the Commission would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita's weekly credit list of worldwide potential counterparties. The Commission will therefore use counterparties within the following durational bands:-

- | | | |
|-------------|----------------|--|
| • Yellow | Up to 5 years | |
| • Purple | up to 2 years | |
| • Blue | Up to 1 year | (only applies to nationalised or semi nationalised UK Banks) |
| • Orange | Up to 1 year | |
| • Red | Up to 6 months | |
| • Green | Up to 3 months | |
| • No Colour | not to be used | |

This Commission will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moody's tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Commission with few banks on its approved lending list. The Capita creditworthiness service does though, use ratings from all three agencies, but by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored on a weekly basis. The Commission is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Commission's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Commission will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Commission's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Commission, through the Force Finance Team which undertake Operational Treasury Management on behalf of the Commission, which will also use market data and market information, information on government support for banks and the credit ratings of that government support.

9.3 Country limits

The Commission has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide ratings for that counterparty). The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

The exception to this is if the UK were to be downgraded below the minimum level, the Commission would continue to invest with UK institutes as it considers the UK Government guarantee of financial institutes as enough mitigation to warrant continuation of investment.

9.4 Investment Strategy

In-house funds: the Commission's in-house managed funds are mainly cash-flow driven. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Interest rate outlook: Bank Rate has been unchanged at 0.50% since March 2009. Despite recent announcements from the Bank of England, with regards to potentially increasing base rates, the Bank Rate is not clearly forecast to commence rising in the near future:-

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts assumptions prove to be too optimistic

The Commission will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Commission.

The suggested budget for investment returns on investments placed for periods less than three months during each financial year is as follows: -

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

For its cash flow generated balances, the Commission will seek to utilise its business reserve accounts, 15 and 30 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

9.5 End of year investment report

At the end of the financial year, the Commission will report on its investment activity as part of its Annual Treasury Report.

9.6 External fund managers (if applicable)

£7.55m of the Commission's funds are externally managed on a discretionary basis by Investec

The Commission's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Commission and the fund manager(s) additionally stipulate guidelines and duration and other limits in order to contain and control risk.

9.7 Policy on the use of external service providers

This is required by the Guidance Notes page 22.

The Commission uses Capita as its external treasury management advisers.

The Commission recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Commission will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9.8 Scheme of delegation

Please see appendix 6.

9.9 Role of the section 151 officer

Please see appendix 7.

Appendices

1. MRP strategy
 2. Interest rate forecasts
 3. Prudential and Treasury indicators
 4. Specified and non specified investments
 5. Approved countries for investments
 6. Treasury Management scheme of delegation
 7. The Treasury Management role of the section 151 officer
 8. Credit Worthiness Reference
-

APPENDIX 1 For English Local Authorities

Minimum Revenue Provision Policy Statement 2014/15

The Commission implemented the new Minimum Revenue Provision (MRP) guidance in 2010/11, and will assess their MRP for 2014/15 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2014/15 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with *option 2* of the guidance. Certain expenditure reflected within the debt liability at 31st March 2010 will under delegated powers be subject to MRP under *option 4*, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Commission. However, the Commission reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Commission are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

APPENDIX 2 Interest Rate Forecasts

The data below shows comparison of historic and forecasted rates.

Capita: interest rate comparison and forecast

Capita Asset Services Interest Rate View													
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
3 Month LBD	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.70%	0.90%	1.30%
6 Month LBD	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	1.00%	1.40%
12 Month LBD	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	1.00%	1.20%	1.40%	1.60%	1.80%	2.00%	2.30%
5yr PW IB Rate	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PW IB Rate	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PW IB Rate	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PW IB Rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	-	-	-	-	-
5yr PW IB Rate													
Capita Asset Services	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.60%	2.60%	2.60%	2.60%	2.70%	2.80%	3.00%	3.20%	-	-	-	-	-
10yr PW IB Rate													
Capita Asset Services	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.70%	3.80%	3.90%	4.05%	4.05%	4.30%	4.55%	4.55%	-	-	-	-	-
Capital Economics	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	4.05%	-	-	-	-	-
25yr PW IB Rate													
Capita Asset Services	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.55%	4.55%	4.80%	4.80%	5.05%	5.05%	5.30%	5.30%	-	-	-	-	-
Capital Economics	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.45%	-	-	-	-	-
50yr PW IB Rate													
Capita Asset Services	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.45%	4.45%	4.70%	4.70%	4.90%	4.90%	5.05%	5.05%	-	-	-	-	-
Capital Economics	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.60%	-	-	-	-	-

APPENDIX 3 Prudential and Treasury Indicators –Actuals 13-14

TABLE 3: PRUDENTIAL INDICATORS	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
Extract from budget and rent setting report	Actual Outturn	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non - HRA	8,750	13,905	7,900	6,737	2,266
TOTAL	8,750	13,905	7,900	6,737	2,266
Ratio of financing costs to net revenue stream					
Non - HRA	0.25%	0.45%	0.74%	0.88%	0.85%
Net borrowing requirement					
brought forward 1 April	4,300	4,300	13,092	19,017	22,622
Repayment of Debt		(3,000)			
in year borrowing requirement	0	11,792	5,924	3,604	1,254
carried forward 31 March	4,300	13,092	19,016	22,620	23,876
Capital Financing Requirement as at 31 March					
Non – HRA	5,276	17,022	22,266	24,980	25,234
Annual change in Cap. Financing Req't					
Non – HRA	211	681	891	999	1,009
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Notional increase in precept per annum*	£0.00	£1.19	£1.92	£2.25	£2.16
TABLE 4: TREASURY MANAGEMENT INDICATORS	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
	Actual Outturn	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	15,000	20,000	22,000	27,000	28,000
other long term liabilities	0	0	0	0	0
TOTAL	15,000	20,000	22,000	27,000	28,000
Operational Boundary for external debt-					
borrowing	8,000	14,000	20,000	24,000	25,000
other long term liabilities	0	0	0	0	0
TOTAL	8,000	14,000	20,000	24,000	25,000
Actual external debt	4,300	13,092	19,016	22,620	23,876
Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing / investments	3.00%	3.00%	3.00%	3.00%	3.00%
Upper limit for variable rate exposure					
expressed as either:-					
Net interest re variable rate borrowing / investments	0.50%	0.50%	0.50%	0.50%	0.50%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£1m	£1m	£1m	£1m	£1m

TABLE 5: Maturity structure of fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months*	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

* £3m of £4.3m of borrowing will need repayment within 2014/15 and as such, before the need to borrow for the capital programme, the debt portfolio will be heavily short term, but the Commission has funds in place to make full repayment.

APPENDIX 4

Specified and Non-Specified Investments

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	C	In-house
Term deposits – local authorities	A/B	In-house
Term deposits – banks and building societies **	See note 1	In-house

Term deposits with nationalised banks and banks and building societies operating with government guarantees

	* Minimum Credit Criteria	Use	*** Max £ of total investments	Max. maturity period
Contracted Bank Group (Natwest)	See note 1 & 2	In-house	£30m	364 days
Contracted Bank Group Short Term Interest Bearing Account (SIBA)	See note 1 & 2	In-house	£8m	364 days
UK nationalised banks	See note 1	In-house	£5m	364 days
UK nationalised banks	See note 1	Fund Managers	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating	In-house and Fund Managers	£3m	182 days

Note 1.

Short-term F1+, Long-term AA-, Viability/financial strength C, Support 3

The Commission should only rely on unconditional guarantees.

The original list of banks covered when the support package was initially announced was: -

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of the Lloyds Group)
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28th February 2013. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

Note 2

The Commission contracts a UK nationalised bank to provide its banking facilities. The risk of failure of any bank is equally weighted across any given working day/ hour or potentially looking at equivalents within the Greek banking crisis even whilst banks are closed, it is important that the Commission highlights that if the bank were to fail, any assets at this time would be frozen and all deposits at that point in time potentially seized (subject to a governmental guarantee).

Therefore, the calculated maximum liability for the Commissions own bank could be in excess of £29m (current cash flow assumes the busiest transactional day would be £6m Revenue Grant, £10m Police Pension Top Up Grant, £5m Precept (Council Tax) Income, any other given adhoc income received and £8m invested within the high interest account provider by Natwest known as SIBA (Short Term Interest Bearing Account)).

The banking community is tightening up third party deposit management, which has resulted in a occasional requirements for minimum deposits to exceed £10m with providers meeting the minimum risk criteria. This combined with Fiscal constraints has meant that many providers are offering below Bank of England interest rates (even when terms over 3 months are agreed, with the UK Debt Management Office offering either zero or negative interest rates during June 2013) and this has left the Commission either unable to place risk adverse deposits or to place deposits within interest bearing facilities.

The guarantees previously offered by the UK Government generally covers the Commissions banking provider and is unlimited, however, this could change if the fiscal position of the UK economy changes, but this would also affect other facility providers and would require a full review of the Commissions TM strategy.

Therefore, it has been determined that where the Commission is unable to place deposits with providers that meet the minimum creditworthiness criteria, a provider offers interest that are either negative or zero or those providers require deposits that is above the maximum investible threshold for the Commission, that the Commission assumes a strategy to minimise the risk to cash balances and to maintain Value for Money within the TM strategy. The approved process is to maintain balances within its own banking provider up to the limit of £30m on any given day*, but this will be subject to daily review and scrutiny by the investment team. This will give the Commission the flexibility to move and manage these funds at very short notice and not to hamper cash flow management, whereas placing deposits with long term providers to avoid the £5m cap, could result in cash flow management difficulties and not reduce perceived risk.

*unless under exceptional circumstances, such as with the 2007/08 banking crisis and the Assistant Commissioner of Resources approves such a decision.

Deposits across the Commissions Banking Group that exceed the standard £8m TM cap (excluding end of day balances within the core Payments, Income and Salary accounts, which usually do not exceed £0.1m, thus £8.1m) will not be held for a time exceeding 30 days without referral to the Assistant Commissioner for Resources to the Commission, but in accordance with the above will be reviewed on a daily basis until reduced to the standard allowable threshold.

Where for example, limits have been reached with financial institutes and deposits cannot be placed with organisations offering equivalent or below the governments current Debt Management Office, prior to deposit the S151 of the OPCC can approve variation from the approved credit worthiness ratings & the Treasury Management Strategy where mitigation of any perceived additional risk has been considered and where possible either partly or wholly mitigated.

Therefore, under the delegated responsibilities for day to day investments, the CC's S151 officers Treasury team will provide a reason for such intentions and where approved by the PCC's S151 will record such deviations from the strategy for audit and accountability.

NON-SPECIFIED INVESTMENTS: A maximum of 20% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	** Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	See note 1	In-house	100%	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	See note 1	In-house and Fund Managers	20%	364 days

Note 1.

Short-term F1+, Long-term AA-, Viability/financial strength C, Support 3

2. Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	** Max % of total investments	Max. maturity period
Term deposits – local authorities	--	In-house	20%	2 years
Term deposits – banks and building societies	See note 1	In-house	100%	2 years

* LA to specify

Note 1.

Short-term F1+, Long-term AA-, Viability/financial strength C, Support 3

Data as at 1st April and is subject to review.

APPENDIX 5 Approved countries for investments (based on Fitch ratings bandings)

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Hong Kong
- UK
- Netherlands

AA

- Abu Dhabi (U.A.E)
- France

AA-

- Saudi Arabia
- Belgium

It is assumed unless the UK reduces below BB that this will continue to be an investible country, unless mandated by UK Government to ensure liquidity of UK nationwide resources and GDP (e.g as part of a UK banking crisis requiring the UK Government to ensure that liquid cash balances are maintained within the UK).

The rating used above is a harmonisation of all three major credit rating agencies, simply expressed within the Fitch terminology for simplicity.

APPENDIX 6 Treasury management scheme of delegation

(i) Commissioner

- approval of/amendments to the organisation's adopted clauses, Treasury Management policy statement and Treasury Management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(ii) The Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
-

APPENDIX 7 The treasury management role of the section 151 officers

The PCC S151 (responsible) officer*

- Approving clauses, treasury management policy/practices, reviewing the same regularly and monitoring compliance
- reviewing regular treasury management policy reports
- receiving and reviewing management information reports
- ensuring the adequacy of internal audit, and liaising with external audit
- In advance of deposit, to approve variations from the Treasury Management strategy, where the appropriate credit referral from Capita shows that the benefit of any deposit is likely to outweigh the risk & where appropriate that any significant adverse risk is appropriately mitigated to an acceptable level.

* Under Section 7.5 of the Financial Regulations, the Police & Crime Commissioner (PCC) has delegated responsibility for Treasury Management to the Police & Crime Commissioner CFO in liaison with Chief Constable CFO.

The CC S151 (responsible) officer*

- To deliver day to day Treasury Management for the PCC, including delegated decision making over short term cash flow/ deposit management
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- reviewing the performance of the treasury management function
- Make recommendations for the appointment or cessation of external service providers and where in alignment to the Financial Regulations delegated authority to contract those services
- submitting budgets and budget variations
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- receiving management information reports from external providers and reporting to the PCC
- creation of periodical management information reports

APPENDIX 8 Credit worthiness reference.

The worthiness is assessed by all the three credit rating bodies with definitions harmonised below to 'Fitch' or equivalent terminology.

Short Term (under 1 year, based on liquidity coverage)
 F1+, Highest short-term credit quality
 F1, Good short-term credit quality

B-D, Speculative Grades which are unused by the Commission

Long term (over 1 year)

AAA, Highest credit quality

AA, Very high credit quality

A, High credit quality

BBB, Good credit quality

BB to D, Speculative Grades which are unused by the Commission

Viability/Financial Strength

A, A very strong bank

B, A strong bank

C, An adequate bank

D, An underperforming bank

Support

1, A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2, A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3, A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4, A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.

5, A bank for which there is a possibility of external support, but it cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases, no floor at all.



Report to the Audit Committee

25th June 2014

Report of the Interim Assistant Commissioner Policy and Resources and the Head of Corporate Services

TREASURY MANAGEMENT OUTTURN 2013-14

RECOMMENDATION

The Committee is recommended to note this report.

1 PURPOSE OF THE REPORT

- 1.1 This report provides an update on the final outturn position on Treasury Management Performance for the Office of the Northamptonshire Police and Crime Commissioner (ONPCC) for the financial year 2013-14.

2 BACKGROUND

- 2.1 The Bank of England base rate has remained at 0.50% for over 5 years, and as forecast when the budget was set, remained at this level throughout the year. The Table on the following page summarises the Budget, Actual and Variance in respect of Treasury Management income and expenditure for the year 2013-14.
- 2.2 Investec had forecast that interest earned on it's managed fund would be 1.00%. **Table 1** above shows that it actually earned 0.45%, resulting in an under-achievement of £65,000, although the performance picked up significantly in the final two quarters.
- 2.3 In terms of interest earned, the Internal Fund Manager outperformed the Externally managed Investec Fund, which earned an average of 0.60% during the year. When the budget was set cash reserves were expected to reduce significantly during the year and

it was expected that internal and eventually external borrowing would be required to support the capital programme.

Table 1

	Budget	Forecast Out-turn £'000s	Sums (Invested) Borrowed £'000s	Average Return / Cost %	Variance
Net Interest (Receivable)					
Managed Funds-Investec - 34N3041	(100)	(34)	(7,558)	0.45%	66
Short-term fixed deposits - 34N3041	(95)	(147)	(19,740)	0.60%	(52)
Total	(195)	(181)	(27,299)		14
Net Interest Payable					
PWLB - fixed - 34N3062	447	195	4,300	4.54%	(252)
PWLB - variable - 34N3062	11	5	0	0.00%	(6)
Short-term loans - 34N3061	5				(5)
Current Account - 34N3141	20	20			0
Total	483	220	4,300		(263)
Net Interest - (Rec) / Pay	288	39	(22,999)		(249)

- 2.4 In reality the total level of reserves dropped by just £2.11m during the year, from £21.86m to £19.75m and there was £6.61m of slippage in the capital programme against a final approved budget of £13.29m.
- 2.5 Therefore, although Treasury Management investment options have been limited by the financial environment, the force has had surplus cash balances to invest throughout the year over and above what was expected when the budget was set.
- 2.6 All lending has been maintained within the maximum criteria for amounts and days as defined within our approved investment criteria. Additionally, no investments are made in instruments whose capital value may fluctuate in order to comply with the objective of principal security first.

Long-term borrowing

- 2.7 Due to the extensive slippage referred to in 2.4, there was no requirement to borrow and thus expected interest on borrowing provided for of £0.252m was saved, reflected above as an over achievement.

Short-term borrowing activities

- 2.6 During 2013-14, due to effective cash management it has not been necessary to borrow any short-term funds.

Conclusion

- 2.7 The force over achieved against it's forecast on Treasury Management Activity for 2013-14, resulting in an under-spend of £249,000 compared to Budget.

JOHN RAISIN, Interim Assistant Commissioner Policy and Resources

FIONA DAVIES, Head of Corporate Services_

Author: Gary Jones- Head of Finance and Asset Management

Background Papers: None



AGENDA ITEM 11

Report to the Independent Audit Committee

25 June 2014

Audit Recommendations Update Report

RECOMMENDATION

The Committee is asked to note this report.

1 PURPOSE OF THE REPORT

- 1.1 This report provides the Audit Committee with an update on the implementation of internal audit recommendations.

2 OVERVIEW

2.1 2013/14 Audits

- 2.2 Thirteen audits were conducted by Baker Tilly during the financial year 2013-14.

- 2.3 Final reports have been received for the following twelve audits:

- Collaboration
- Equiniti Pensions Administration
- Governance
- Operational Areas- Seized Property or Lost and Found Property
- Business Continuity
- Operational Areas- Vetting
- Monitoring and Delivery of the Police and Crime Plan
- Procurement
- Change Management Programme
- Key Financial Controls
- Risk Management
- Data Security

- 2.4 Draft reports have been received for the remaining audit:

- Follow Up

2.5 **2014/15 Audits**

2.6 Draft reports have been received for the following audit:

- Operational Areas – Stock Management

2.7 The attached audit dashboards show the recommendations made in the final reports for each audit together with updates received on the implementation of those recommendations.

INTERNAL AUDIT DASHBOARD – NORTHAMPTONSHIRE OPCC
DETAILS OF OUTSTANDING RECOMMENDATIONS FROM FINAL AUDITS
JUNE 2014

Governance Report 17th December 2013

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.2	<p>OPCC</p> <p>The proposed revised version of the Statement of Purpose and Terms of Reference for the Independent Audit Committee should be enhanced to include within this document details of the membership of the Committee, meeting and the quoracy requirements</p>	Low	Y	<p>Agreed this will improve arrangements. This is a joint Committee, serving both the Chief Constable and the PCC and the auditor's report should reflect that fact</p> <p>Revised Terms of Reference will be considered by the Audit Committee and recommendations made to the Chief Constable and the Commissioner for approval.</p>	June 2014	John Raisin
1.6	<p>OPCC</p> <p>We would recommend that as soon as possible a definitive list of HR related policies required for the OPCC is agreed and a timetable approved for their development and implementation. Approval of such policies should be through a formal PCC Decision.</p>	Medium	Y	<p>HR related policies have been prepared under the supervision of the Interim Assistant Commissioner Policy and Resources and consulted upon with all staff within the OPCC and the recognised Trade Union.</p>	June 2014	John Raisin

Change management Report 5th June 2014

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.5	<p>A Project Management Guide / Toolkit should be developed to provide advice and guidance to Project Managers on the key areas of project management that should be addressed and the associated documentation that should be held. Areas to be included should be:</p> <ul style="list-style-type: none"> • PID development, content and approval requirements • Project Plan development • Identification of the benefits of the project and how these can be measured • Identification of the key risks, the mapping and management of these • Reporting requirements • Establishment of sub or working groups as required, including documentation of Terms of Reference (or a remit) and who should approve these • Change controls and approval • Whether there should be any stage reviews (possibly in line with the Gates?) • Identification and recording of issues that may have occurred and have been managed • Lessons learnt log • Project closure review and report <p>Given the projects will vary in stature, complexity and 'cost' consideration could be given to developing a risk based matrix approach to the governance of a project depending on the above</p>	Medium	Y	<p>Guidance is needed both at programme and project level.</p> <p>The Portfolio Manager is producing guidance at programme level for all programmes.</p> <p>The Aspire team are producing a project toolkit to agree with the Portfolio Manager and subsequently to be used across all programmes.</p> <p>Consideration will be given as part of this to the risk based matrix approach – this is a fundamental principle of MSP and PRINCE2 in any case.</p>	31 st October 2014	Paul Bullen & Fiona Davies

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.7	<p>In respect of Project Plans we would recommend the guide / toolkit includes:</p> <ul style="list-style-type: none"> • Start and finish dates are colour coded or similar to indicate if they are planned or actual dates • A column is included to annotate any key information on delays to start or finish dates • Project Plans are included as an appendix to the high level progress reports submitted to Programme Boards 	Medium	Y	This will be picked up in a project plan guide as part of the project toolkit described in 1.5	31 st October 2014	Paul Bullen

INTERNAL AUDITS DASHBOARD BY BAKER TILLY 2013/14

Audits are graded as Red, Amber, Amber/Green or Green. Some thematic audits are advisory only and not graded. Recommendations are prioritised as High, Medium or Low to reflect the assessment of risk associated with the control weaknesses.

SUMMARY OF AUDIT PROGRESS AND OUTCOMES

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			High	Medium	Low
Collaboration	July 2013				
Equiniti Pensions Administration – 1.13/14	11 September 2013	n/a	0	2	3
Governance – 2.13/14	17 December 2013	Green	0	0	3
Operational Areas- Seized Property or Lost and Found Property – 3.13/14	28 February 2014	Amber	0	8	6
Business Continuity – 4.13/14	28 January 2014	Amber/Green	0	3	1
Operational Areas – Vetting – 5.13/14	13 February 2014	Amber/Green	0	0	6
Monitoring & Delivery of Police and Crime Plan – 6.13/14	26 February 2014	Green	0	0	1
Procurement – 7.13/14	12 February 2014	Green	0	1	0
Risk Management – 8.13/14	11 June 2014	Amber/Green	1	2	1
Change Management Programme – 9.13/14	05 June 2014	n/a	1	4	6
Follow Up -10.13/14	N/A				
Key Financial Controls - 11.13/14	01 April 2014	Amber/Green	0	7	3
Data Security – 12.13/14	11 June 2014	Amber/Green	0	1	2

DETAILS OF RECOMMENDATIONS FROM EACH AUDIT

Status Key: ■ Recommendations implemented ■ Recommendations ongoing ■ Recommendations overdue

Collaboration – Regional Response

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1	<p>The principles of collaborative activity should be reviewed to ensure that they remain appropriate, given the governance changes and funding cuts that have taken place within the sector, over the last few years. Ideally, there should be some measurable objectives and outcomes for collaborative activity, in order for the achievement of the unit to be transparent and for the regional Forces and Police and Crime Commissioners to clearly understand the benefits that have been received, by collaboration.</p> <p>As the forces across the region, as indeed nationally, have developed local policing plans, there should be something similar for the collaboration. The document (Corporate Plan) could be used to include the Vision, Values, Priorities (opportunity to link to the regional objectives set by Commissioners and any other objectives) and Delivery (sets out how reporting will take place, performance against targets, measures and effective actions).</p>	Medium		Does not relate specifically to Northants			
2	<p>To streamline the process, consideration should be given to having a Joint Chief Constable & PCC Board, not necessarily at each meeting, but if there are a few scheduled during the year that are held jointly, this would provide for some efficiencies within the existing governance framework and decision making.</p>	Low		Does not relate specifically to Northants			
3	<p>The same format should be used for each Business Case, clearly stating the author, to assist consistent scrutiny and challenge. The Business Plan should include specific objectives and priorities of the project. For each objective the following should be detailed;</p> <ul style="list-style-type: none"> a) Details / Purpose (why / high risk on risk registers) b) Cost improvements c) Capital Funding d) Key risks and management (taken from key risks) e) Summary financial plan f) Impact on Workforce g) Summarised capacity plans <p>The Business Plan, sections e, f & g need to be completed by the individual forces, using a set definition for all costings and savings, to ensure there is consistent approach in reporting the comparative data. The data that is included should be robustly verified to</p>	Medium		Does not relate specifically to Northants			

	provide assurance that the basis for the Business Plan or project is robust, to benefit all those involved in the collaboration.						
4	The benefits that are included within the Business Plan should be Specific, Measurable, Achievable, Relevant and Timely. There should be specific measurable deliverables, with a target date to be able to ascertain if the benefit originally identified has been realised	Medium		Does not relate specifically to Northants			
5	The actual costs that are recorded within the Business Case should be broken down to provide clarity and transparency. Furthermore, it would be useful to include a definition of the costs that are being collated, to ensure consistency and understanding across all the forces to provide assurances that each force is including the correct cost requirements. In addition, the costs that are included within the Business Plan should be robustly checked and confirmed. This check and confirmation should be documented as part of the process. Furthermore, as part of this consideration, it may be beneficial to review the funding formula that is used as part of the business case and confirm that it remains appropriate. Other forces utilise a formula that also considers the demand impact and this may be something that could be considered and reviewed, moving forward.	Medium		Does not relate specifically to Northants			
6	The responsibilities outlined in section 3 of the s23 agreements, around the previous EMPAJC, should be reviewed and assurances sought that the responsibilities listed remain appropriate, given the changes to the sector and are being captured elsewhere within the governance framework and structure.	Low		Does not relate specifically to Northants			
7	It is considered to be beneficial to establish an overarching collaboration agreement, with a specific governance reporting framework for the collaborative projects. Other forces that we work with, that collaborate, have devised an overarching agreement that enables the efficient sign off to collaborative projects	Low		Does not relate specifically to Northants			
8	It is an essential part of the project management process to complete a final closure report, ultimately a 12 month review. The report will provide assurances that the project has met its original objectives and continues to provide for an effective and efficient approach. Where this is not the case, the report provides the opportunity to highlight any issues and provides the option to reassess and realign operations (including officers in kind) accordingly.	Medium		Does not relate specifically to Northants			
9	Consideration should be given to reporting on the various performance indicators and measures that have been highlighted as beneficial for inclusion, within the main body of our report, within the East Midlands PCC Performance Report. This will provide clear linkage to the Business Case measures to ensure	Low		Does not relate specifically to Northants			

success can be effectively measured.						
The Performance Report could also be adapted to include linkage with any overarching objectives and measures, for the Collaborative Unit, as a whole. (Refer to comments made at Recommendation 1)						

Equiniti Pensions Administration – 1.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1.1	Schedule 2 of the contract between the Office of the Police and Crime Commissioner for Northamptonshire (formerly Northamptonshire Police Authority) and Equiniti (formerly Xafinity) should be revised and updated to ensure that responsibilities regarding the sending / receiving of information and notification of updates to legislation are clearly defined. Operationally, it would be useful to introduce a mechanism to provide a cross check between the information forwarded to Equiniti from Northamptonshire for action and vice versa.	Medium	Y	It has been agreed that whilst legal proceedings are lodged against Xafinity over injury award overpayments, amendments to the contract in this area would not be prudent Update Nick Alexander – on behalf of Gary Jones No new updates, the situation remain the same. It is the Forces positions that whilst legal proceedings are unresolved changing any boundaries on service delivery/checking etc would not be prudent as it could be potentially misinterpreted by the forthcoming proceedings as something we agree we should always have been doing.	Undetermined	Gary Jones	
3.1.2	In discussion with the Equiniti Service Team Leader it was agreed that explanatory narrative to explain outcomes outside of expected performance targets will be included with the next set of quarterly performance statistics which will be reported in Oct 2013 (Qtr 2)	Low	Y	These will be checked for assurance in the next quarterly review meeting on 18/11/13 Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014. Update Nick Alexander - All matters outside of agreed SLA are now routinely discussed & including within the agenda as per of the quarterly review & East Mids procurement now also attend the meeting to consider how that impacts upon the contract.	Nov 2013	Nick Alexander	
3.1.4	Assurances need to be provided that all work completed is being appropriately reviewed and authorised. Where the Senior Pensions Administrator has completed the work, then the officer reviewing the work should be of the same position or within the appropriate hierarchy. To clearly demonstrate the accountability and segregation of duties, it is recommended that a fully prescriptive checklist be introduced on each file, so that the final	Medium	Y	Agree – and progress on this will be requested in the Quarterly review meetings with Xafinity Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such	Nov 2013	Nick Alexander	

	sign off and review is evident. (Equiniti are currently working on such a checklist)			<p>It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – During the last service review meeting, it was confirmed that internally the checklist has been finalised & that internal audit (IA) will report on it's application during the outcomes from the IA work, as this is not some NPA can verify other than verbal confirmation from our offices & we do not have the ability to audit this type of check.</p> <p>Also, with the checklist/ processes there will be a clear audit trail & as such, it is expected that this will be also tested during the next outcomes from the IA visit. Also as per the first point, we are now receiving written information where data is outside of the agreed SLA each review meeting & as such, it is expected any exceptions would also be raised there.</p>			
3.1.5	It should be ensured that an appropriate audit trail of all validation exercises is maintained by Equiniti) and assurance provided to Northamptonshire that any exceptions have been appropriately amended.	Low	Y	<p>Exceptions will be requested in quarterly review meetings</p> <p>Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – During the last service review meeting, it was confirmed that internally the checklist has been finalised & that internal audit (IA) will report on it's application during the outcomes from the IA work, as this is not some NPA can verify other than verbal confirmation from our offices & we do not have the ability to audit this type of check.</p> <p>Also, with the checklist/ processes there will be a clear audit trail & as such, it is expected that this will be also tested during the next outcomes from the IA visit. Also as per the first point, we are now receiving written information where data is outside of the agreed SLA each review meeting & as such, it is expected any exceptions would also be raised</p>	Nov 2013	Nick Alexander	

				there.			
3.1.6	As part of the quarterly client meetings, a specific item should be introduced for the formal consideration of any feedback from internal audit reviews (both positive and negative) together with assurances that any required actions have been appropriately addressed.	Low	Y	<p>This will be followed up in the quarterly review meetings Update Nick Alexander – Unfortunately there is not enough time for Equiniti to implement the advice within the days before the accepted audit recommendation and the service meeting. As such It is expected Equiniti will answer in their data pack and will I will be questioning at our next service review in March 2014.</p> <p>Update Nick Alexander – As per the above, whilst we discussed IA, there has not been an outcome for subsequent reviews & as such, we are not able to effectively consider any additional measures/ requirements above or beyond the existing work (above) until more is known or any additional concerns are raised.</p>	Nov 2013	Nick Alexander	

Governance – 2.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
2.1	<p>Force At the next revision of the Governance Framework the following areas should be addressed:</p> <p>Amend the Change Delivery Board to the Aspire Programme Board.</p> <p>Enhance the connections between Board/Groups to indicate reporting line.</p>	Low	Y	The changes will be made and approved at the scheduled meetings of the Aspire Board and other Groups	Complete	Fiona Davies	
2.2	<p>Force We would recommend that as part of the revision of the Governance Framework the opportunity is taken to review all Group/Board Terms of Reference. As part of this:</p> <p>Revise and update COG to include the revised membership.</p> <p>Enhance existing Terms of other bodies to indicate where any recommendations should be submitted.</p>	Low	Y	<p>Amendments to the COG ToR will be recommended at the November meeting.</p> <p>Update: John Chatley – This has now been completed</p> <p>ToR of other meetings will be reviewed as recommended according to the schedule of meetings.</p> <p>Update John Chatley- ToR have been updated</p>	Complete	John Chatley	
2.3	<p>Force It is recognised that there is a need to strengthen /formalise performance reporting between the Force and the PCC and this</p>	Low	Y	The recommendation is accepted and will be taken into consideration as the format of the meetings between the DCC and the Performance Officer formalised.	Complete	John Chatley	

could be achieved through the proposed new monthly meetings between the newly appointed Performance Officer in the PCC and the Deputy Chief Constable. We would recommend that a decision record or notes should be kept from these meetings.			Update: John Chatley – a decision record is maintained by the OPCC			
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Operational Areas- Seized Property or Lost and Found Property – 3.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
Detained (Seized) Property							
1.1	In respect of the planned introduction of electronic training on detained property procedures we would recommend that records are maintained to ensure that all relevant parties do complete the training	Low	Yes	Supt Sean Bell has already agreed that this NCALT training be mandatory for all Officers/Staff who access property. Update - NCALT package should be complete by end of July but roll out is dependent on a linked Crime NCALT module.	01 Aug 2014	L&D	
1.2	Officers must ensure that in accordance with procedures any cash detained must be: <ul style="list-style-type: none"> Counted by Two officers The value of cash recorded and not quantity of cash Double bagged The outer bag signed by the two officers involved Consideration to be given to central stores imposing a much stricter regime in not accepting non –compliant value packages	Medium	Yes	Force Order will be put out as a reminder regarding the packaging of cash. Non-compliance regime suggestion would require additional resources / review of current job descriptions. This can be considered as part of the planned resource review in 2014. Update: Once additional resources have been recruited into the team, this will be implemented, likely go live June 2014 Update – The additional resource has been agreed and recruitment is now underway	Complete Mid 2014	Vicky French	
1.3a	Station EDOs to be reminded that Temporary Stores are to be cleared daily and the relevant PMS report/notification sent to Central Stores.	Medium	Yes	To be managed by EDO Managers. Memo to be sent to EDO managers and Sector Commanders. Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1st April 2014	Ch Insp Thompson	
1.3b	A review should be undertaken of all items showing as still be in Temporary Stores to ensure that the entries are updated to reflect the items current location/status. Once the review has been completed and the items cleared then in future EDOs should run a full report of items and not just items logged in the last 24 hours to ensure that no further build-up of entries occurs	Medium	Yes	To be managed by EDO Managers. Memo to be sent to EDO managers and Sector Commanders. Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1st April 2014	Ch Insp Thompson	
1.3c	A review should be undertaken of all items showing as still held in Interim Stores to ensure that the entries being reported relate to actual items held and that these are within the 28 day holding rule	Medium	Yes	This is already in place as part of the DP Audits of the Interim Stores	In Place	Detained Property Team Leader	

	pending collection by Central Stores.						
1.3d	A review should be undertaken concerning the number of items, pre and post centralisation, that have been logged onto PMS as 'awaiting entry', which indicates that the item has never been through a Station store or Central Stores and has been 'retained or dealt with' direct by the Officer who has then not updated PMS.	Medium	Yes	This piece of work will require additional resources. This can be considered as part of the planned resource review in 2014	Mid 2014	Vicky French	
1.4	Current records indicate that on the PMS there are some 4,500 (pre and post centralisation) items that according to the system have been 'booked out to Officers'. Whilst records indicate that chasing has been undertaken this we are informed has not been strictly in accordance with requirements due to resource issues. A review should be undertaken to establish the most effective and resource capable way of managing down the number of items.	Medium	Yes	This can be considered as part of the planned resource and process review in 2014	Mid 2014	Vicky French	
1.5	Future cash sheets should be signed by 2 persons to confirm the amount being banked	Low	Yes	Will be put in place immediately	Complete	Vicky French	
Found Property							
2.1	A flowchart, or similar, should be developed indicating the key processes to be followed that specifically included guidance on where items should be booked on in the property management system to ensure consistency.	Low	Yes	To be tasked out to appropriate person and compiled, before dissemination. Update – The procedures have been written and are being quality checked prior to roll out across the county which should be complete by 01 September.	Bearing in mind the possible complexity and variance in practice this should be targeted at 1st June for dissemination	Ch Insp Thompson	
2.2	Guidance to be issued on how items are to be held, i.e. for 'value items, including cash, we would recommend that these are deposited in a standard evidence bag and sealed. With regard to cash we would then recommend that the bag is signed by the 2 members of staff/Officers validating the contents.	Low	Yes	Memo to be sent to all EDOs and sector commanders Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1 st April 2014	Ch Insp Thompson	
2.3a	Staff should be reminded of the need to ensure that found property should be disposed of after 28 days.	Low	Yes	Memo to be sent to all EDOs and Sector commanders Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.	Guidance to be issued by 1 st April 2014	Ch Insp Thompson	
2.3b	A review should be undertaken of reports available from the Property Management System to ensure that these are 'cleansed' as there are numerous items reported that still show that they are 'found property still held' and where the update position has not been effectively recorded/changed.	Medium	Yes	This is, on the face of it, a significant administrative task. The Performance Team will assess reports circulated regarding all property to assist with this audit process. Update – Once the new process has been rolled out ISD will be asked to remove all records that	Scoping to be completed by 1 st April 2014	Ch Insp Thompson	

				are greater than 28 days old.			
2.3c	EDO staff should be reminded that in accordance with the Policy all perishable food and drink items should be disposed immediately.	Low	Yes	Memo to be sent to all EDOs and sector commanders	Complete	Ch Insp Thompson	
2.4	<p>Management of disposals requires strengthening, in particular</p> <ul style="list-style-type: none"> When returning items to owner a formal receipt should always be used rather than just signing the listing When destroying items details of the officer undertaking these, the date and method should be recorded Ensure there is a consistent method adopted for filing disposal documentation as testing identified two cases where the required documents could not be located. 	Medium	Yes	<p>Memo to be sent to all EDOs and sector commanders</p> <p>Update – The guidance has been issued and best practice guidance is being prepared to be rolled out across the county which should be complete by 01 September.</p>	Guidance to be issued by 1 st April 2014	Ch Insp Thompson	

Business Continuity – 4.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1A	The department Business Impact Assessments (BIA) should be analysed to provide a Force wide BIA that identifies and ranks the Force's activities in order to ensure that all mission critical activities are correctly ranked and will receive the correct priority of recovery support. The overall ranking and criticality should be reviewed and approved by Senior Management	Medium	Y	RB will analyse the BIA's and produce a single prioritised list of MCA's.	Complete	Richard Baldwin	
3.1B	Crime and Justice Command should provide Recovery Time Objectives for activities ranked 3 and above.	Low	Y	RB will review with the plan owners and agree the missing RTO's <i>Update- Richard Baldwin – The identified RTO's have now been updated.</i>	Complete	Richard Baldwin	
3.2	A test strategy should be developed by the Force that ensures that a rolling programme of testing of the department Business Continuity Plans is introduced including testing of technology systems.	Medium	Y	Based on the analysis that will be undertaken for action 3.1A RB will produce a recommended exercise schedule for approval by senior management. ISD would advocate that any ICT system DR tests are done as part of wider Force or department level Business Continuity or Disaster Recovery exercises to get the maximum benefit from the exercise. ICT DR testing is highly disruptive to the Force, to minimise that disruption tests should form part of a wider planned exercise. ISD will support the Force and Departments in the Business Continuity Plan tests and advise how ICT systems can be incorporated in to those tests. ISD do not propose to come up with a test plan in isolation as this would cause disruption that would impact the day-to-day operation of the Force. <i>Update – Richard Baldwin – Work to produce an exercise schedule is ongoing.</i>	31 Mar 2014	Richard Baldwin	
3.3	A communication programme should be designed to ensure that all employees understand the Business Continuity Management Policy, business continuity priorities and what their individual responsibilities are in respect of business continuity management.	Medium	Y	As the report states an NCALT training package for all employees is being developed as part of the national BC strategy and is expected to be delivered in 2014. Once this has been delivered we can review the content to see if any further material is needed.	tbc	Richard Baldwin	

Operational Areas - Vetting – 5.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.2	The MOU sponsor should be contacted in order to acquire a signed copy of the MOU and confirmation of whether the SLA has been drafted and is in operation.	Low	Y	Sponsor has been contacted still awaiting signed MOU April 2014. Update – Yvonne Mason – Notts have confirmed that the MOU was signed off in May2012 by the DCC's Programme Board but there is no physical copy of the signed off MOU. Each SLA is an individual agreement between forces so there is no generic SLA in place.	Complete	Yvonne Mason	
1.4	The Information Assurance Team leader should complete the safe muster list and conduct monthly musters of the safe contents in the presence of an independent witness. Additionally the questionnaires and application forms if leavers should be destroyed/shredded.	Low	Y	Agreed- this is already a work in progress	Complete	Jo Gent	

Monitoring & Delivery of Police and Crime Plan – 6.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	Whilst recognising that the OPCC initial High level action plan is still in development and as yet only covers January and February 2014 we would comment that as part of its continuing development recommend that <ul style="list-style-type: none"> Enhance the current format to include a column to record more clearly timescales for completion Possibly include a column to record progress/completion Develop the Plan further to include maybe the remainder of the calendar year or until the end of the 2014/15 year Consider using the action plan as a monitoring tool which can be used to inform future progress reporting to the Police and Crime Panel 	Low	Y	Accepted. Update Kathryn Buckle 20/03/14 – This has been actioned.	Complete	Kathryn Buckle – Assistant Commissioner Governance	

Procurement – 7.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1	A review of Oracle privileges should be undertaken to ensure that users cannot raise purchases and approve invoices for payment.	Medium	Y	Review has been carried out by Chief Accountant and suitable amendments approved by the Head of Finance and Asset Management – Update Nick Alexander – Nick and Christine Pitcher have reviewed all Buying rights, approving rights and procurement card limits. Update Nick Alexander – We have reviewed all rights, updated some access & also have	Complete	Nick Alexander- Chief accountant	

				<p>introduced a new approval process for application of new responsibilities for staff.</p> <p>There was one instance of some being allocated buying and approving rights & this & the cause of this (resulted in the change mentioned above) have been reviewed & altered, to ensure that this should not happen again.</p> <p>We also reviewed all Purchase Card limits & queried with relevant budget holders limits/ rights etc , however, no irregular accesses or limits were identified.</p>			
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Risk Management – 8.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.1	<p>OPCC</p> <p>The draft Risk Management Policy should be supported by an implementation plan detailing a target date for finalising the Policy and implementation each area of the risk management process.</p>	High	Y	Agreed. The draft Policy will be taken to the Audit Committee in June 2014 for comment with a view to the Commissioner approving the Policy shortly thereafter. That report will include details of an implementation plan to embed the approach across the Commission	25 Jun 2014	John Raisin	
2.1	<p>Force</p> <p>In respect of risk registers:</p> <ul style="list-style-type: none"> The risk register should record existing controls to manage the risk. All register should be in the same format to ensure consistent recording Risk should be adequately defined so it is clear what the untoward event may be. 	Medium	Y	Changes will be made to IPSO to include existing controls as well as mitigating actions. Additional training will be provided to Risk Coordinators to ensure that the standard template is used for risk registers. Additional training will be provided to Risk Coordinators to ensure that risk descriptions are recorded using the agreed 'XYZ' format. Existing risk descriptions will be rewritten where required.	30 Apr 2014	Richard Baldwin	
2.2	<p>Force</p> <p>The Force should have a set period at which risks should be reviewed.</p>	Low	N	<p>The review period for each risk is agreed with the risk owner and is dependent on the nature of the risk and the timescale for implementing any mitigating actions. This can vary considerably from one risk to another and it is therefore not practical to have a set period for reviewing risks.</p> <p>Internal Audit Comment</p> <p>We acknowledge management's responses, however, testing identified a medium risk which had not been reviewed for 6 months, and therefore we would recommend a minimum period to be set.</p>	n/a	Richard Baldwin	
2.3	<p>Force</p> <p>There should be a link between the Force objectives and risk to</p>	Medium	Y	The link between risk and the Force's strategic objectives is already reviewed by the Strategic	Complete	Richard Baldwin	

	meeting those objectives within the risk registers, with assurances to demonstrate that controls and actions are mitigating the risk.			Tasking and Coordination Group. If possible an additional field will be created in IPSO to record the link between each risk and the Force's objectives.			
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Change Management – 9.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
1.3a	An enhancement to the Portfolio Management Framework in relation to Gate 2 is required to reflect working practices. Currently it indicates that in addition to the Programme Mandate a Project Initiation Document (PID) and Equality Impact Assessment are required for approval; however we are advised that the latter two documents are only required to be submitted to the Transformation Portfolio Manager for review and approval. In addition we are advised that a PID will only require submission to the Board in cases where 'additional investment' is required, however this is not detailed in the Framework nor are there details as to what constitutes 'additional investment'.	Low	Y	PIDs are for programme boards to decide and therefore this needs to be reflected in the Portfolio Management Framework. The Transformation Board will be interested in any cases where additional investment is required from the Transformation Fund i.e. the money is not already in allocated budgets of one of the partner organisations across the portfolio.	Complete	Paul Bullen	
1.3b	In respect of Gate 3 approval within the Portfolio Management Framework inclusion should be made as to how and in what format a Programme should submit to the Transformation Board to seek Gate 3 approval. The PCC should determine whether retrospective Gate 3 approval should be sought for Programmes/Projects that are now into their delivery mode.	Medium	Y	Gate 3 approval refers primarily to programmes of the portfolio. It is agreed that additional information could be added to the Framework to make clearer how programmes progress passed this. In effect this is through having in place a clear Blueprint for the future, plans in place for the programme, including clear resource plans, and clearly identified costs, risks and benefits. Retrospective approval is not needed for programmes and projects that have already progressed beyond this point (Institute for example). Aspire's projects that are underway already are forming part of the first tranche of the programme and these will be given approval at the March Transformation Board.	Complete	Paul Bullen	

1.5	<p>A Project Management Guide/Toolkit should be developed to provide advice and guidance to Project Managers on the key areas of project management that should be addressed and the associated documentation that should be held. Areas to be included should be:</p> <ul style="list-style-type: none"> • PID development, content and approval requirements. • Project plan development. • Identification of the benefits of the project and how these can be measured. • Identification of key risks, the mapping and management of these. • Reporting requirements. • Establishment of sub or working groups as required, including documentation of Terms of Reference (or a remit) and who should approve these. • Change controls and approval. • Whether there should be any stage reviews (possibly in line with the Gates?) • Identification and recording of issues that may have occurred and have been managed. • Lessons learnt log. • Project closure review and report. <p>Given that projects will vary in stature, complexity and 'cost' consideration could be given to developing a risk based matrix approach to determining the governance of a project depending on the above.</p>	Medium	Y	<p>Guidance is needed both at programme and project level. The Portfolio Manager is producing guidance at programme level for all programmes. The Aspire team are producing a project toolkit to agree with the Portfolio Management and to subsequently be used across all programmes. Consideration will be given as part of this to the risk based matrix approach – this is a fundamental principle of MSP and PRINCE2 in any case.</p>	31 October 2014	Paul Bullen / Fiona Davies	
1.6a	The Programme Mandate for the Aspire Programme should be presented to the March 2014 Board for approval of Gate 2.	Low	Y	Approval for the Vision which fulfils much of the role of the Mandate will be given at the March 2014 Board. The May Board approved the Blueprint.	Complete	Fiona Davies	
1.6b	A record management system should be created by the Transformation Portfolio Manager to record submission of and approval of the Programme Mandates, Project Initiation Documents and Equality Impact Assessments. The record should also include meeting dates when the four Gates have been approved by the Transformation Board.	Low	Y	Agreed	Complete	Paul Bullen	
1.6c	Once negotiations have been concluded on the 'Better Working' element of the Agile Working project there will be a need to address the issue of a Project Initiation Document. The Force could either enhance and expand the existing Mobile Working PID or produce a separate and linked PID just for the Better Working element.	Low	Y	A new PID will be needed and approved by the Programme Aspire Board.	TBC	Fiona Davies	

1.7	<p>In respect of Project Plans we would recommend the guide / toolkit includes:</p> <ul style="list-style-type: none"> • Start and Finish dates are colour coded or similar to indicate if they are planned or actual dates. • A column is included to annotate any key information on delays to start or finish dates. • Project Plans are included as an appendix to the high level progress reports submitted to Programme Boards. 	Medium	Y	This will be picked up in a project plan guide as part of the project toolkit described in 1.5.	31 October 2014	Paul Bullen	
1.8	<p>A full review of risk management across the Transformation Programme is required to produce a more cohesive and inclusive approach. To this end we would recommend:</p> <ul style="list-style-type: none"> • There should be a structured approach to identifying and capturing risk through the use of standard registers. • The registers should include details of actions to be taken to further manage a risk. • For each Programme there should be a high level (strategic) risk register. • For each Project there should be an operational risk register. • An overarching Transformation risk register maintained by the Transformation Portfolio Manager. • Project risk registers should accompany highlight reports to Programme Boards. • Programme risks should be included in the Transformational Portfolio Progress Reports (these are being introduced). • Inclusion of key risks in the master Portfolio Progress Report that will be going to the Transformation Board 	High	Y	<p>The recommendation is agreed but things are much further on than the report suggests:</p> <ul style="list-style-type: none"> ○ Standard registers are in place and being rolled out. ○ Each programme is beginning to develop their risk registers. ○ Projects have not yet go their own risk register but it is agreed they should have. ○ A Transformation portfolio risk register is in place and being presented to the Transformation Board in March. ○ It is agreed that key risks at each level of the portfolio should be captured in highlight reports (rather than all risks in each project being presented to a programme board) 	Complete	Paul Bullen	
1.9a	We would recommend that any Sub Board or Working Group have Terms of Reference (or similar) developed, which are subject to approval by its parent Board.	Low	Y	Agreed	Complete	Fiona Davies	
1.9b	Project Managers should be reminded that to ensure that salient points from Sub Board/Group meetings are captured we would recommend that at least action points are formally documented.	Low	Y	Agreed	Complete	Fiona Davies	
1.10	Gate 4 within the Portfolio Management Framework, which seeks approval to formally close a programme/project, should be enhanced to indicate guidance on what documentation, and in what format, should be submitted when applying for approval. Consideration could be given to developing a standard closure report template.	Medium	Y	Now updated in Portfolio Management Framework and standard closure report is in place.	Complete	Paul Bullen	

Key Financial Controls - 11.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
Budgetary Control							
1.1	The Office of the Police and Crime Commissioner should ensure that all links to budget documents are working on their website	Low	Yes	Agreed	30th April 2014	Richard Edmondson	
1.2	The OPCC should review the budgetary information being presented to the Police and Crime Panel and ensure that it is consistent with the management information presented to them by the Finance Team.	Medium	Yes	The OPCC has always strived to ensure the information presented to the Police and Crime Panel is correct and will continue to do so.	31st March 2014	John Raisin	
Payroll							
3.2	The Force should review the employee 'leaver' process and ensure that appropriate leaver forms are received by the Payroll Team in a timely manner so that they can be handled within the processing deadlines.	Low	Yes	MFSS will review the leaver forms to ensure that these are suitable for use for all types of leavers	01 Apr 2014	Pam Rourke	
3.3a	The Payroll team should reconcile the expenses file exported from Oracle to the restructured file which is uploaded to CGI prior to the payroll.	Medium	Yes	Payroll Procedures will be updated to include a check on the total value of the original expenses file against the restructured file,	01 Apr 2014	Pam Rourke	
3.3b	The Payroll team should undertake a random sample test of claims to evidentiary documentation to confirm their validity providing assurance on the control provided by the expense claims process.	Medium	Yes	Receipts should be scanned in for the claims, therefore as part of the random audit function this would be part of the audit review & as such this is already completed.	01 Apr 2014	Pam Rourke	
3.4	A formal delegation from the Chief Constable, or alternatively Financial Regulations are amended, to specify delegated responsibility to Senior Payroll staff to provide authorisation to Logica to process payroll runs.	Medium	Yes	The Chief Accountant, will implement this within the Financial Regulations.	01 Apr 2014	Nick Alexander	
Income and Debt Management							
4.1	The Force should formally document the debt write off and disposal limits that have been delegated by the Chief Constable and ensure that they are communicated to the relevant staff.	Medium	Yes	Agreed, this will be completed within the new 2014/15 Financial Regulations. Update Nick Alexander – The new Financial Regulations have not yet been issued by the OPCC but the write off limits will be included within the new version. Update Gary Jones - I have agreed with the OPCC that with, the exception of Land and Buildings, both corporation soles can determine their own delegated authorities and we will therefore have our own standing orders and Fin Regs. This arrangement will be included in the new scheme of consent	01 Apr 2014	Nick Alexander	
Asset Management							

5.1	Reconciliation should be undertaken on a periodic basis between the LANDesk system and the Fixed Asset register to ensure that accurate records are maintained. Periodic verifications should be undertaken against the items held in the LANDesk system to ensure the accuracy of records is maintained. This could be done on a sample basis to identify the highest value items.	Medium	Yes	Once the personal issue of equipment has been completed upon Oracle, we will look to issue unique reference no's within LANDesk for these within Oracle to allow a reconciliation between the two. Budget managers will be surveyed to ask for physical verification of assets.	01 Sep 2014	Nick Alexander	
5.2	The Force should ensure that the Fixed Asset Register encompasses all vehicles owned at the year end.	Low	Yes	A review of vehicles is being completed with the Head of Transport to ensure the vehicles are fully reconciled. Processes for disposal of vehicles will be explicitly outlined within the Financial Regulations. Update Nick Alexander – The review of vehicles is being completed once the outturn is known & the financial year end is in progress (late April). Update Nick Alexander – The year end Fixed Asset (FA) reconciliation has included a full reconciliation from Tranman data to the audited file & both now contain the same numbers of vehicles & all non vehicle related equipment/ expenditure has either been transferred to another PPE (Fixed Asset) category or has been appropriately removed from the FA register. The reconciliations for computers is not yet due, however, this will be considered as part of the VfM review on accountability & if appropriate & there are enough resources will be completed.	Complete	Nick Alexander	
Treasury Management							
6.1	The Treasury Management Strategy should be enhanced to include more explicit guidance around making investments in institutions, both UK and Overseas, which are in excess of either, or both, the stated maximum value and term of deposit. The Strategy should state who has authority to approve such investments and a written record of such approvals should be maintained with the investment paperwork.	Medium	Yes	Agreed, the description of this within the Treasury Management Strategy has been re-drafted to make this point more explicit & it is already part of the 2014/15 TM strategy being signed off by the OPCC on 1st April 2014. Update Nick Alexander – The new Treasury Management strategy is complete and we are waiting for this to be published by the OPCC, however, these are included within the new TM strategy. Update Nick Alexander – The new Treasury Management (TM) policy which has been signed by the OPCC & published has been updated for the latest requirements & also to cover any IA concerns.	Complete	Nick Alexander	

Data Security - 12.13/14

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.1	<p>Management should undertake the following:</p> <ul style="list-style-type: none"> Identify and agree with the SIRO and the Information Assurance Board as to the required retention period for the Blackberry audit logs, paying due regard to the risks of not retaining the logs for a given period as against any negative impact on performance and network storage capacity. Identify, design and implement methods of extracting and reporting on the information required from the Blackberry audit logs for investigative purposes, seeking external consultancy advice if appropriate. 	Low	Y	In the absence of any formal guidance or Best Practice on the retention of audit logs, we will review our approach after consulting with peers and in the context of other risk mitigations deployed to avoid duplication of effort.	31 Dec 2014	Head of Professional Standards	
3.2	Management should ensure that the successful deployment of Safend software updates is checked on a regular basis for all machines within the Force's network infrastructure. Moreover, any unsuccessful deployments should be investigated in full to confirm whether the machines concerned are still in live use and whether the lack of deployment needs to be remedied accordingly.	Low	Y	We will use the opportunity of our corporate 'XP upgrading project' during 2014 to ensure the future deployment of Safend incorporates all networked assets, albeit we are confident that any current risk is negligible.	31 Dec 2014	ISD Operations Manager	
3.3	Management should ensure that a process is implemented for the periodic and regular identification of unused user accounts at the network level and for promptly disabling all accounts that are no longer required, including email accounts, e.g. because the users concerned have left the Force, are on an approved period of medium to long term absence or have changed duties.	Medium	Y	<p>The pending Change Request, at the time of the audit, has been reprioritised to support more effective management of User Accounts.</p> <p>We will periodically review our overall approach to Account Management and report findings and recommendations to the Force Information Assurance Board.</p>	31 Dec 2014	ISD Operations Manager	

Annual Governance Statement (AGS) for Northamptonshire Police Force

This statement is a key corporate document, wider than financial governance alone, and brings together legislative requirements, governance principles and management processes. This Annual Governance Statement (AGS) is based on the CIPFA Delivering Good Governance Framework.

The position is as at 31 March 2014, including plans for financial year 2014/15.

1. SCOPE OF RESPONSIBILITIES

Northamptonshire Police Force ('the Force'), must ensure that its business is conducted legally and that public money is safeguarded, accounted for and used economically, efficiently and effectively. The Force has a legal duty to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Force is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Force has adopted a Code of Corporate Governance, which is consistent with the principles of CIPFA/ SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is on the ONPCC website at www.northantspcc.org.uk or can be obtained from The CFO, Northamptonshire Office of the Police & Crime Commissioner, Force Headquarters, Wootton Hall, Mereway, Northampton, NN4 0JQ. This statement explains how the Force has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

Throughout the period the organisation also ensured that its management arrangements conformed with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and its assurance arrangements are in line with the CIPFA statement on the Role of the Chief Internal Auditor (2010). This also includes having effective arrangements in place for the function of the Monitoring Officer.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Force is directed and controlled, as well as the activities through which it accounts to, engages with and leads its communities. It enables the Force to monitor the achievement of the strategic objectives, articulated in the Police and Crime Plan, and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Force's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework is in place at the Force at the year-end 31 March 2014 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

For the period of 1st April 2013 until 31 March 2014 Northamptonshire Police worked with the Office of the Northamptonshire Police and Crime Commissioner (ONPCC) as set out under the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011. Under the PRSRA the Force became a corporation sole, therefore the Chief Constable continues to be responsible for all operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is required by statute to appoint a person to be responsible for the proper administration of the Force financial affairs (S151 officer). The post that holds this responsibility is the Head of Corporate Services. The ONPCC hold the Chief Constable to account for his policing responsibilities and it follows that ONPCC must be satisfied that the Force has mechanisms in place for the maintenance of good governance, and that these operate in practice.

Our vision is:

"To Make Northamptonshire the Safest Place in the Country"

Objectives and Targets

The Police and Crime plan published in March 2013, set out the strategy for policing the area and the vision for Northamptonshire Police Force. The strategic outcomes we desire are:

- **A reduction of at least 40% in violent crime**
- **There will be a focus on eradicating drugs and reducing acquisitive crime**
- **Antisocial behaviour will be robustly and intelligently tackled**
- **Northamptonshire will have a more visible police force**
- **Northamptonshire will be a secure place**
- **Northamptonshire will have the safest roads**

These outcomes enabled the Force to focus our resources on the key strategic themes:

- Reducing all Crime
- Increase our resolution rate
- Reduce Violence against the person
- Reduce Serious and Acquisitive crime volumes
- Protecting Vulnerable People

Monitoring Performance

Within Force, the Executive Group (All Chief Officers and the Departmental Commanders), supported by the Strategic Tasking and Coordination Group will shape and coordinate and monitor strategic delivery of both the policing services and organisational development.

Monitoring within the Force is through the Chief Officers' Group (COG) chaired by the Chief Constable and the supporting meetings chaired by a Chief Officer:

- **Strategic Tasking and Co-Ordination Group** is chaired by the Deputy Chief Constable (DCC).

Both Assistant Chief Constables (ACC's), Departmental Commanders and Department Heads attend these quarterly meetings to examine performance against the organisation's strategic assessment and control strategy, making strategic resourcing decisions based on intelligence and performance and the resources available.

- **Monthly Performance and Tasking** is chaired by the Deputy Chief Constable.

All operational Commanders and Superintendents, Head of Corporate Services, Head of Finance and Asset Management and Head of Organisational Delivery attend these monthly meetings, where performance is scrutinised and issues are tasked to be resolved.

- **Strategic Workforce Planning** is chaired by the Deputy Chief Constable.

Both ACC's, Departmental Commanders, Head of Finance and Asset Management, Head of Organisational Delivery, Head of HR, Unison and the Police Federation attend these meetings. This body scrutinises and leads how the organisation plans and delivers a workforce fit for delivering the policing objectives in the future.

- **Aspire Board** is chaired by the Deputy Chief Constable and has oversight of the transformational change programmes in the Force.
- **Interoperability Board** is chaired by the Assistant Chief Constable, to deliver the integration of the force and Northamptonshire Fire and Rescue, improving our service to our community.

Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors the force performance against other forces and carries out inspections of the force for themes agreed with the Home Secretary.

Measuring the quality of services for users

The ONPCC carries out telephone surveys with victims of crime and also undertakes a general public attitude survey, which measures the opinions of members of the public about policing across the County. The victim surveys now incorporate all Hate Crimes, in order to get broader feedback on quality of service beyond Racist Incident/Crime victims. The Force has also undertaken programmes of consultation with other groups of service-users, including domestic abuse, child abuse and serious RTC victims and families, in order to provide an insight into quality of service beyond the standard groups normally covered by the telephone surveys. Individual Safer Community Teams are concentrating on priorities set by their local communities. The results of these are monitored by the Monthly Tasking and Performance meeting.

The Force's Professional Standards Department also sends out surveys to complainants and monitors the feedback obtained.

Risk Management

The Force continues to implement and embed risk management arrangements across the organisation.

The Deputy Chief Constable has established a Professional Standards and Security Board to ensure Force risks are monitored and mitigated. All commands and departments maintain their own risk registers. The corporate risk register is presented to the Chief Officer Group on a quarterly basis, for discussion and awareness.

Roles and Responsibilities

The Force ensures that staff and officers work together, with clearly defined functions and roles, to achieve a common purpose, through the schemes of delegation approved by the ONPCC.

The Force has in place:

- A framework of statutory and local delegated powers, procedures and regulations
- The Chief Constable holds a bi-monthly performance meeting with the PCC, the minutes of which are made public.
- Officers and staff allocated to PCC meetings to present reports and answer questions as appropriate. For example, the Assistant Commissioner for Resources (ONPCC) and the Head of Corporate Services (Force) meet regularly to discuss finance, budget planning, the Force change programme, contracts and written reports about Finance are given to the ONPCC bi-monthly.
- A designated liaison officer between the Force and the ONPCC providing a single point of contact
- Effective and professional communications for the Force and the ONPCC via the Communications Department including reactively and proactively representing the ONPCC interests to the media.
- Well publicised codes of conduct for both officers and staff with the code of conduct for officers regulated by police regulations and an effective disciplinary process for breaches of Code of Conduct, managed by the Professional Standards Department. Sign up and adoption of the new Code of Ethics.

Compliance

The Force will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Chief Constable and Force S151 Officer (Head of Corporate Services (CFO)), have legal and professional responsibilities in this respect, assisted by assurances from internal and external audit. The Joint Audit Committee undertakes the core functions of an audit committee as defined by CIPFA.

During 2013-14 the Force had 8 assurance reviews of which 6 gave us substantial or reasonable assurances of control and 2 gave only some assurance. These will be the areas of improvement for 2014/15. There are checks and balances built into the financial procedures to ensure that expenditure is lawful, and this is underpinned by financial regulations which apply to each officer and employee of the Force. Departmental Heads and the relevant process groups are responsible for ensuring the Force policies and procedures are lawful.

Having reviewed all of the Internal Audit reports for the year, the Force is actively looking to improve processes where possible. The main focus of work over the forthcoming year will be;

- Continuing to embed the Force-wide risk register that takes account of Corporate Scoring methodologies and seeks to analyse significant risks to Force strategies and policies;
- Improve the control mechanism in Detained (Seized) and found property
- Work with the East Midlands region to ensure the Governance and financial framework is improved
- Ensure pension procedures are robust and new legislation is adhered to
- Have a thorough review of the governance arrangement within force to they are able to support the strategic direction of the force in a more timely fashion.

Officers and staff employed by the force are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.

The Force has internal procedures managed by Professional Services Department for complaints by both officers and staff, and for members of the public to use. The Force is also regulated by the Independent Police Complaints Commission (IPCC), an external body that has the power to investigate the Force.

A Public Interest Disclosure (whistle-blowing) policy is in place to protect any employee who may wish to raise concerns of public interest.

4. REVIEW OF EFFECTIVENESS

The Force has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Force who have responsibility for the development and maintenance of the governance, the head of internal audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance between the Force and the ONPCC has continued to be refined as has the Force framework to ensure the governance remains robust and effective. This has included the Scheme of Consent and a review of leadership and membership of all strategic meetings, and the outcomes being achieved by the Force.

For 2013-14 Baker Tilley(internal audit) concluded:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Northamptonshire Police arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Northamptonshire Police has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

We have been advised on the implications through internal and external audit, and through our own internal review by the Executive Group, that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES IN 2013-14

There have been no significant governance issues during 2013-14. However, the Force

will continually try to improve the governance framework both within the Force and the linking into the ONPCC, and the regional governance framework.

Adrian Lee.

Mr Adrian Lee
Chief Constable of Northamptonshire Police Force

F C Davies

Mrs F C Davies
Head of Corporate Services
Northamptonshire Police Force

On behalf of the senior officers Northamptonshire Police Force

Draft to Audit Committee 25th June 2014

**ANNUAL GOVERNANCE STATEMENT OF THE OFFICE OF THE
POLICE COMMISSIONER FOR NORTHAMPTONSHIRE**

1 Scope of responsibility

Police and Crime Commissioners are Corporations sole, created by the Police Reform and Social Responsibility Act 2011.

Under the provisions of that Act, Commissioners must secure the maintenance of a police force for their area, and secure that the police force is efficient and effective. The Commissioner must hold the Chief Constable to account.

The Commissioner must issue a Police and Crime Plan within the financial year of their election, and keep that plan under review, produce an annual report on the exercise of the Commissioner's functions and the progress which has been made in the financial year in meeting the police and crime objectives in the Police and Crime Plan.

The Commissioner must maintain a single Police Fund, and must keep accounts of that Fund. Commissioners also have the power, previously conferred upon Police Authorities, to issue a precept, thus allowing council tax to be levied to fund the police.

The Commissioner is responsible for ensuring that the business of the Commission is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for the governance of the Commission's affairs, including the management of risk, and facilitating the effective exercise of its functions.

The Commissioner has approved and adopted a Corporate Governance Framework, comprising the Code of Corporate Governance, Scheme of Governance and the Decision Making Policy, which were approved by the Commissioner through his Executive Order 21 dated 25th April 2013.

This Framework is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

These documents and the Executive Order are published on the Commission's website at northantspcc.org.uk or can be obtained from the Monitoring Officer, Office of the Northamptonshire Police Commissioner, Wootton Hall, Northampton, NN4 0JQ.

This statement explains how the Commissioner has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

CIPFA in its document 'delivering good governance in local government: Guidance Note for Police' states:

"Good governance is about how those responsible for the service ensure they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner"

Governance comprises the systems and processes, culture and values by which the Commission is directed and controlled and the activities through which it accounts to, engages with and leads its communities, to achieve success as measured by the delivery of the outcomes set out in the Police and Crime Plan and the demonstrable confidence of stakeholders.

It enables the Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3 The governance framework

The Commission's Corporate Governance Framework is grounded in the *Good Governance Standards for Public Services*, which in turn build on the *Nolan Principles*. Six principles of good governance for public services are set out in the CIPFA / SOLACE Good Governance Framework:

1. Developing and promoting the Commission's purpose and vision

2. Leaders, officers and partners working together towards a common purpose
3. Promoting the values of the Commission, demonstrating the values of good governance, upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management
5. Developing the capacity and capability of the Commission to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

4 Review of effectiveness

Background

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control.

The review of effectiveness will normally be informed by the work of the managers within the Commission who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual assurance report and also by comments made by the external auditors and other review agencies and inspectorates.

Internal Audit's Annual Assurance Report

The Annual Report of the Internal Auditor, presented to the Audit Committee on 25th June 2014, states:

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Northamptonshire Police and Crime Commissioner's arrangements for risk management, control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Northamptonshire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Details of the Review and Conclusions

This is the Commissioner's second Annual Governance Statement.

The Commissioner's governance arrangements are intended to deliver successful delivery of the planned outcomes set out the Police and Crime Plan.

The Police and Crime Plan is focussed on prevention, change and transformation.

2013-14 has been a year of significant progress and achievement.

The Commissioner has continued to promote his vision, strengthen networks and partnerships and enhance capability across the Commission, Force and partners.

Some notable examples of progress are set out below.

The Commissioner has continued to protect uniformed Police numbers, increased the number of Special Constables and pursued greater levels of Police - Fire integration and inter-operability. The Office of Faith Based and Community Initiatives and the Institute for Public Safety, Crime and Justice were launched and are now operational. The Commissioner has also re-designed Commissioning arrangements.

The Commissioner chairs the Local Criminal Justice Board, and is Vice-Chairman of the Health and Wellbeing Board. Following the ground breaking 'Victims Voice' exercise, plans are well advanced to create the Victims and Witness Service, from October 2014.

Regional collaboration with other PCCs and Forces has been extended; a neighbouring Force and Commission are preparing to join the Multi-Force Shared Service.

The Commissioner has approved a balanced medium term financial plan to 2018, and secured significant funding from the government's Innovation Fund.

An Estates Master Plan and a pilot scheme in part of the county to test the Commissioner's transformative proposals will also be taken forward in 2014.

Effective governance has made all this possible. Senior managers have drafted and secured approval to the governance framework in November 2012. They ensure compliance across the Commission, and junior managers' understanding has been developed through practical experience rather than formalised briefing and training. These latter approaches will be taken forward in 2014-15.

Set out below is the outcome of a review of the Commissioner's governance arrangements, cross referenced to the six principles of good governance, including proposals to strengthen further these arrangements to deliver greater success in 2014-15 and beyond.

The review considered the extent of compliance of the Commission with each of the six principles set out above, by:

- Assessing the completeness and timeliness of the formally approved documentation comprising the Commission's Corporate Governance framework;
- Confirming actions previously identified to strengthen the framework have been implemented;
- Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;
- Establishing the extent of the understanding of the framework of the managers responsible for working with it;
- Reviewing the adequacy of the assurances that are in place from both internal and external sources regarding the framework
- Assessing the extent to which success has been achieved in terms of the outcomes set out in the Police and Crime Plan
- Assessing the confidence of stakeholders in the Commission

Principle 1

Developing and promoting the Commission's purpose and vision

Overview

The Commissioner's purpose is set out in statute - as noted in paragraph 1, above. His vision for Northamptonshire is set out in the Police and Crime Plan, approved in March 2013. That is currently being reviewed and a refreshed draft Plan will be shared with the Police and Crime Panel, and others, in the autumn, and thereafter formally approved by the Commissioner.

As noted last year, the current Police and Crime Plan reflected a large public consultation exercise (in terms of participants), which in turn included a large-scale youth consultation. The Plan is the bedrock underpinning the Commissioner's activity and has been widely shared internally and externally.

The aspirations set out in the Plan are the starting point for the more detailed programme and project mandates, project initiation documents and detailed delivery plans for the Transformation Portfolio considered by the Commissioner's Board for Transformation and Delivery. That Board includes representatives of key partners such as the Force, the County Council and the Fire and Rescue Service, as well as two independent non-executive directors.

Those aspirations are grounded in base-lined evidence at the time the Commissioner took office in November 2012 - such as the aim to reduce violent crime by 40%. Delivery plans are tested against the aspirations set out in the Police and Crime Plan.

A number of major activities to promulgate the Plan to the community and stakeholders, its aspirations and key objectives were undertaken during the year:

- Through the Commission's website and social media
- Force seminars
- Violent crime seminar - a call to action seminar held 21st January 2014 to enable further partnership development toward

the 40% reduction target in violence. 50 key individuals invited including lead councillors, heads of service from Health and Social Care, third sector organisations and private/corporate businesses. Presented with key themes to tackle focusing on young people, domestic violence and alcohol related violence to support the Safest Place agenda.

- Commissioner speaking engagements at national, regional and local events;
- Engagement with a wide range of stakeholder groups

Assessment of the completeness and timeliness of the formally approved documentation

The Commission's formal documentation has been assessed against that suggested for this principle set out in CIPFA's document *Delivering Good Governance in Local Government* published in 2007 and the *Addendum* published in 2012.

The Commission has in place all the recommended policies and documents.

As noted above the prime document is *The Police and Crime Plan*. This is supported by a number of internal documents and processes - such as the *Commission's Action Plan*, the Chief Constable's objective setting process, the regular monitoring by the Commission of the Force's performance, and the Commission's Forward Planning process.

The recommendation to have a *Partnership Protocol* is met by the Commission's *Commissioning Protocol* and *the Local Solutions Fund*.

The Transformation Portfolio is effectively the Commission's *Resourcing Plan for Improvement and Performance Plans* and measurement of *Value for Money* are addressed through Business Cases for each

programme considered by the Transformation Board, together with compliance with the Commission's Procurement Policies.

Confirming actions previously identified to strengthen the framework have been implemented

Summarised below are the actions proposed in last year's Annual Governance Statement together with the current position.

1. Establish the joint PCC-Force corporate governance group as stated in the Corporate Governance Framework.

This has not been established as the Commissioner recognises the Commission and the Force are distinct corporations sole. So such a group is not deemed necessary, although of course officers of the Commission maintain a close and effective relationship with the appropriate senior Police officers and Police staff.

2. Develop the future model of strategic assessment to underpin both any future refresh and the ongoing delivery of the Police and Crime Plan.

The Commission has in place a process for strategic policy scanning, as well as a large-scale rolling programme of community consultation which is being further expanded. The process of refreshing the Police and Crime Plan is being underpinned by workshops across the Force and the Commission based on this strategic assessment and public consultation.

3. Extend engagement with stakeholders, including through a large-scale 'Victims Voice' exercise.

This was completed and recommendations are now being implemented.

4. Launch an Office for Faith Based and Community Initiatives which has an aim of massively increasing the scale and diversity of participation in crime and justice activity, particularly prevention.

This has been established. The Director has set up extensive networks and is currently assessing a range of bids for financial support from a wide range of faith-based and community organisations and groups to undertake activities and projects to reduce crime and increase community safety. The Office encourages creative and new approaches to crime prevention, aspiring to generate self sufficiency in the organisations it works with and supports evaluations to identify 'what works' in making communities safe.

5. Take forward plans for youth engagement, and a strategy for rural engagement.

'Youth Circles' are one of the ways in which the Commission has engaged with younger citizens.

In May 2014 the Commission undertook 'Rural Launch' launch with the aims of promoting safety and wellbeing in rural communities. The initiative has a particular focus on improving visibility and communication and on tackling issues that matter most to those who live and work in rural areas. The profile of the initiative will be developed through engagement activity with a range of stakeholders and rural communities throughout 2014.

Conclusions on effectiveness governance on this principle

The Commissioner has made a major effort to communicate his vision to the community and partners, and the Commission's strategy and planning processes are grounded in that vision and the Police and Crime Plan.

Significant progress on delivery has been achieved, although progress with key aspects of the Transformation Portfolio has been slower than originally planned.

There is a wide range of feedback and consultative mechanisms in place through which the Commissioner is informed of stakeholders' views which informs decision-making.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

The following actions are proposed in 2014-15 to strengthen further the Commissions' governance arrangements:

1. Refresh the Police and Crime Plan - by the Autumn of 2014;
2. Publish a separate Medium Term Financial Plan [MTFP] for the Commission as distinct from the overall MTFP for the Commission and Force;

Principle 2

Leaders, officers and partners working together towards a common purpose

Overview

Effective relationships with the Force were strengthened further in the year - for example performance monitoring arrangements were improved, and two non Executive Directors joined the Commissioner's Board for Transformation and Delivery.

The Commissioner has been a strong advocate of closer regional collaboration with neighbouring Commissions / Forces and the Commission is now working closely with two East Midlands Commissions to explore the benefits of closer integration of back and middle office support functions.

Significant work was undertaken in 2013-14 to prepare separate HR Policies for the Commission and these will be approved shortly and become operational in 2014-15.

A new Commissioning framework was developed through which the Commission will secure priority outcomes through working with a wide range of partner organisations.

Assessment of the completeness and timeliness of the formally approved documentation

Appropriate formal documentation as suggested by CIPFA is in place.

Confirming actions previously identified to strengthen the framework have been implemented

1. Further develop the commissioning framework ahead of commissioning victims' services in 2014;

Implemented

2. To develop the partnership landscape, engaging partners from across the community safety and criminal justice sectors, seeking to develop a more cohesive and effective approach to partnering for the 21st century

Significant progress made in regional context on back and middle office; and through the launch of the Office for Faith Based and Community Initiatives and the Institute for Public safety, Crime and Justice

3. Through discussions with partners, and particularly with the Fire Service, better integrate strategic planning processes.

Work has continued but progress has been limited and integration of strategic planning processes has not yet been achieved. This work will continue in 2014.

Conclusions on effectiveness of governance on this principle

The Commission is seeking to deliver a wide ranging and aspirational agenda. Much of this agenda is ground breaking and has therefore required significant advocacy and negotiation at political and top management levels.

Consequently it is inevitable that partners may have different views and interpretation of vision and objectives. There have been a number of examples of mis-alignment across the agenda over the last year. A key focus in 2014-15 will be to continue to strive to clarify, sharpen and agree vision and objectives and to strengthen strategies and plans to deliver real benefits.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

The following actions are proposed in 2014-15 to strengthen further the Commissions' governance arrangements:

1. Strengthen the effectiveness of the Commissioner's Board for Transformation and Delivery informed by a fundamental review of all aspects of governance of the Transformation Portfolio - by Autumn 2014;
2. Ensure the regional initiative on middle and back office functions is effectively governed - by Autumn 2014

Principle 3

Promoting the values of the Commission, demonstrating the values of good governance, upholding high standards of conduct and behaviour

Overview

The Commissioner and the Chief Executive aspire to lead an organisation that is passionate about delivering real and sustainable transformational change across the Criminal Justice System, and an organisational that works day to day the highest standards of integrity.

Assessment of the completeness and timeliness of the formally approved documentation

Most of the suggested documentation is in place - although the Commission has effectively been working to the Force's Anti-fraud and Corruption policies.

Those will be reviewed this year and Commission policies developed and put in place.

Confirming actions previously identified to strengthen the framework have been implemented

N / A

Conclusions on effectiveness on this governance principle

There is always room for improvement on these issues. The Commission adopts a continual questioning and self-challenging approach - for example by seeking to minimise the number of confidential items on Audit Committee agenda, continually pressing for improved governance arrangements across arrangements with partners and stakeholders and seeking to be as open as possible on information disclosure.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

1. A new approach to the management and development of Commission staff will be developed [the Commission's People Strategy].
2. The Chief Executive has established a new officer group within the Commission to take responsibility for improvements to the governance framework and processes and delivery of agreed changes.
3. A greater focus on Anti-fraud and Corruption, including the approval of a revised policy for the Commission.

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and risk management

Overview

The Commission agreed a Scrutiny programme with the Force and the report on Performance Management was completed earlier this year. A new Chair of the Audit Committee was appointed during the year, together with two new members.

The Committee reviewed its Terms of Reference and ways of working - for example members now attend meetings of the Transformation Board and Estates Programme Board as observers; and informal meetings with officers have been introduced. The need to strengthen Decision making protocols has been identified and this will be addressed this year. Risk management arrangements at a strategic level have been working well during 2013-14; a draft policy has been prepared and will be consulted upon in 2014.

Assessment of the completeness and timeliness of the formally approved documentation

The recommended documentation is in place other than a formally approved Risk Management Policy. The Commission has been working to an approach first reported to the Audit Committee in March 2013. There is a need however to put in place a formal policy.

Confirming actions previously identified to strengthen the framework have been implemented

1. Develop arrangements to publish a public forward notice system of key decisions regarding which the public can engage.

This will be taken forward in 2014.

2. Develop the proposed Police Crime and Justice Institute which will provide an enhanced model for developing consultative

activity and research to build community insight, with that model of delivery enhancing the independence of such process.

Done - the formal launch of the Institute for Public Safety, Crime and Justice was on 29th April 2014.

Conclusions on effectiveness on this governance principle

The effectiveness of the Commission improved significantly during the year, but is not yet fully mature.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

1. Audit Committee Terms of Reference will be reviewed at the meeting of the Committee in June 2014, and recommendations will be made to the Commissioner and Chief Constable for approval;
2. A formal Risk Management policy will be developed and approved during 2014;
3. Further work to develop a comprehensive 'Assurance Map' will be shared with the Audit Committee during 2014.

Principle 5

Developing the capacity and capability of the Commission to be effective

Overview

This principle is focussed on the building both internal and external capacity and capability to take forward the Commission's agenda.

Good progress has been made - the Institute and the Office for Faith Based and Community Initiatives [OFBCI] are now operational; the Commissioner and Chief Constable agreed to the creation of a joint Communications team, two non-Executive directors were appointed to the Transformation Board, and Audit Committee members act as Observers on key Boards relating to the transformation agenda.

The Commission has developed a wide ranging network of stakeholder arrangements which both inform his strategies and provide opportunities to promulgate his vision and plans. These arrangements include Youth Circles, the OFBCI Advisory Group, a number of Independent Advisory Groups, representative of specific communities, and a wider programme of public consultation including specific themed consultations on issues such as online risk and exploitation etc.

The Chief Executive has reviewed and strengthened internal management arrangements designed to increase focus and coherence of effort across the Commission, and further improvements will be taken forward in 2014.

There remains a need to develop and implement a formal Training, Development and Succession Plan, and Induction Programme for the Commission.

Assessment of the completeness and timeliness of the formally approved documentation

The Commission does not currently have in place a formal Training, Development and Succession Plan, nor a formal Induction Programme.

Confirming actions previously identified to strengthen the framework have been implemented

1. Review the Commission's HR policies, including Whistle Blowing policy and learning and development strategy;

Significant work was undertaken to develop a comprehensive range of HR policies for the Commission. These have been consulted upon and will be approved and implemented in 2014. A Whistle Blowing Policy was published in July 2013.

Conclusions on effectiveness on this governance principle

The Commission has made very significant progress in 2013-14; but effectiveness can be further enhanced through more formally approved and implemented strategies of making best use of its staff, as noted above.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

1. Develop a comprehensive "People Strategy", embracing Training, Development and Succession Planning, and a formal Induction Programme.

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability

Overview

The Commissioner is ultimately accountable to the public. He has set out his vision and aspirations and priorities in the Police and Crime Plan, which was widely consulted upon across stakeholders. He provides regular reports on progress to the Police and Crime Panel, and as noted above the Commission has in place and continues to develop a wide range of stakeholder networks and use of the widest possible range of media channels to engage and inform.

The Commissioner strives to take decisions using high quality relevant information in a transparent manner to reduce risk and deliver value for money.

The Commission is a new entity in the public policy and service landscape and both the Commission and stakeholders continue to explore and better understand their respective spheres of influence and to develop more effective working relationships.

Assessment of the completeness and timeliness of the formally approved documentation

The formally approved Police and Crime Plan is in place. The Commissioner published his *Decision Making Policy* on 25th April 2013.

The *Transparency Index* on the Commission's website gives links to a comprehensive range of documentation including the *Decision Making Policy*.

Confirming actions previously identified to strengthen the framework have been implemented

N / A

Conclusions on effectiveness on this governance principle

The formal infrastructure and documentation has now been established. Effectiveness in the future will be further enhanced through improving further key relationships with stakeholders through the leadership of the Commissioner and his staff.

Identifying gaps and weaknesses that need to be addressed; and ensuring plans are in place so to do;

1. Develop further the leadership capacity of the Commission in conjunction with the over-arching People Strategy [noted above]

5 Significant governance issues

It is proposed over the coming year to further enhance the Commission's governance arrangements through the actions set out above, which for convenience are set out below:

Principle 1

- a. Refresh the Police and Crime Plan - by the Autumn of 2014;
- b. Publish a separate Medium Term Financial Plan [MTFP] for the Commission as distinct from the overall MTFP for the Commission and Force;

Principle 2

- c. Strengthen the effectiveness of the Commissioner's Board for Transformation and Delivery informed by a fundamental review of all aspects of governance of the Transformation Portfolio - by Autumn 2014;
- d. Ensure the regional initiative on middle and back office functions is effectively governed - by Autumn 2014

Principle 3

- e. A new approach to the management and development of Commission staff will be developed [the Commission's People Strategy].
- f. The Chief Executive has established a new officer group within the Commission to take responsibility for improvements to the governance framework and processes and delivery of agreed changes.

- g. A greater focus on Anti-fraud and Corruption, including the approval of a revised policy for the Commission.

Principle 4

- h. Audit Committee Terms of Reference will be reviewed at the meeting of the Committee in June 2014, and recommendations will be made to the Commissioner and Chief Constable for approval;
- i. A formal Risk Management policy will be developed and approved during 2014;
- j. Further work to develop a comprehensive 'Assurance Map' will be shared with the Audit Committee during 2014.

Principle 5

- k. Develop a comprehensive "People Strategy", embracing Training, Development and Succession Planning, and a formal Induction Programme.

Principle 6

- l. Develop further the leadership capacity of the Commission in conjunction with the over-arching People Strategy [noted above]

6 Conclusion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by officers, informed

by the views of internal audit and the Audit Committee. The current governance arrangements and the proposals to develop and further improve them are regarded as appropriate.

The areas already addressed and those to be specifically addressed during the current year are outlined above.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Adam Simmonds
Police and Crime Commissioner for Northamptonshire

Signed

Iain Britton
Chief Executive of the Office of the Police and Crime Commissioner for Northamptonshire

**Northamptonshire Police & Crime Commission and Northamptonshire
Police Force**

Joint Independent Audit Committee

25th June 2014

Annual Report – 2013/14

This is the first annual report of the work of the audit committee created under the Home Office Financial Code of Practice for Police Services.

The purpose of the committee is to support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments and the integrity of financial statements and reporting.

This is a committee in development. And this therefore, is a very brief summary of progress and planning thus far.

The Police & Crime Commissioner for Northamptonshire, Adam Simmonds was elected in November 2012. This audit committee became operational in November 2012.

The original members were Jackie Haynes, Gill Newton CBE, Simon Schanschiff JP OBE DL (chair) and Robert Wootton.

The current committee is:

- Jackie Haynes
- Tony Knivett (appointed December 2013)
- Gill Newton CBE (chair)
- Martin Pettit (appointed December 2013)

BACKGROUND

This was, and still is a transitional period, designing and embedding a new model. At the outset communication was not good, support was lacking and there was a failure to understand and define roles. The Internal Audit Plan was difficult to agree and delayed, the annual governance statements not signed off, and the Risk Registers required development. Latterly, however, effective relationships have been made with the Force and OPCC, and internal and external auditors. The chair has established good links with the Commissioner, Chief Constable and senior officers. Administrative support is soon to be provided. The committee met formally four times in this period.

RECENT ACHIEVEMENTS – include:

- the timely approval of the 2014/15 internal audit plan
- agreement for committee members to observe key meetings
- improvements to the OPCC and Force risk registers
- introduction of the 'Alert, Advise, Assure' framework
- introduction of workshops and briefings for committee members
- establishment of committee pre-meetings
- influencing improved governance of the corporate bodies.

AUDIT COMMITTEE AIMS & OBJECTIVES - 2014/15 – include:

A principal aim is to establish a clear, independent and effective role understood by the Force and the OPCC to ensure that public funds are managed appropriately. The Commissioner is striving for the best for Northamptonshire at a time of budgetary pressures by introducing a range of innovative initiatives in the Transformation Programme. The committee's key function as critical friend is particularly important regarding risks and pace in relation to this ambitious programme.

- to gain assurance that there is good use of public funds/VFM in the Transformation Programme and that risks are identified and managed
- to ensure that sufficient committee support is in place
- to ensure sufficient meeting time is allocated to audit reports and other sources of assurance in meetings
- to clarify the role and contribution of committee members at Transformation Programme meetings
- to establish effective scrutiny in support of good governance, including scrutiny of regional collaboration initiatives
- to see further enhancement of the management of risk
- to gain oversight of counter-fraud arrangements
- agreement of new ToR (to be reviewed annually) and the committee role in Treasury Management issues
- to further use external sources of assurance e.g. HMIC reports
- to ensure proper and timely signing off of accounts
- to support the OPCC and the Force in the resolution of any tensions.

Gill Newton, Chair, Independent Joint Audit Committee.

INITIAL RISK ASSESSMENT						RISK RESPONSE INFORMATION							
Risk No.	Date identified	RISK DESCRIPTION AND IMPACT IF OCCURS	Likelihood	Impact	Risk Score	OWNER	Risk Response	Post Response Likelihood	Post Response Impact	Post Response Score	Comments	Review Date	Status
2	Jul-13	If the resources to deliver (either in capacity or capability terms) are insufficient then the portfolio will not be delivered in its entirety	5	5	25	Transformation Portfolio Manager	Transformation Reserve in place to provide additional resource beyond utilisation of the internal resources across the organisations of the portfolio. Reserve has been used to get sufficient resource across most programmes. Aspire still outstanding.	4	5	20	Commitment is required from all organisations to not only agree to the vision but to resource the required changes. Particular focus on Aspire. At this stage no certainty on capacity and capability for Aspire.	Jul-14	Open
29	Jun-14	If the relationship between regional governance and local a governance for transformation is not clarified then the 'picture' could be clouded and delivery slowed, delayed or benefits not delivered through accountability being lost	4	4	16	OPCC Chief Executive	Deloitte undertaking work for region on governance.	4	4	16	Response not yet actioned and therefore risk remains at pre-response levels	Jul-14	Open
16	Jan-14	If the current rate of growth of the Special Constabulary continues then the target for 900 will not be achieved	4	5	20	SRO Programme Aspire	New approach of 500 by Christmas 2014 expected. Marketing has increased. Additional resource being discussed	3	5	15	Risk still remains high even with new target	Jul-14	Open
23	Feb-14	If sufficient emphasis is not placed on winning the 'hearts and minds' of staff then the development of a new police/fire organisation will not occur	4	5	20	SRO Programme Aspire	OPCC bringing in expert support to deliver change in hearts and minds. Wider OD strategy needs to be developed	3	5	15	Risk remains high until resource in post	Jul-14	Open
25	Feb-14	If the Organisational Development across police/fire does not occur then we will not become the 'brightest and best'	3	5	15	SRO Programme Aspire	Blueprint is developed and agreed and the project for organisational development needs to be developed to meet the needs and aspirations for the future.	3	5	15	Response has not yet been actioned and therefore risk remains high	Jul-14	Open
22	Feb-14	If the things that Specials do are not changed and we do not capture and evaluate the things they do, the benefits of an increased workforce will be limited	4	4	16	SRO Programme Aspire	New specialist roles being recruited to. Additional resource being provided for recruitment Benefits resource being sourced to support the metrics and evaluation of what specials do	3	4	12		Jul-14	Open
27	Feb-14	If the change leadership capacity and capability across the portfolio is not sufficient then potential for delays or incompleteness in delivering the portfolio	4	4	16	Transformation Portfolio Manager	Formal programme and project management training being delivered Change leadership training options being considered and developed Additional resource being brought in	3	4	12	Risks remains around Aspire and given significance of Aspire remains a high risk	Jul-14	Open
15	Jan-14	If Aspire Blueprint fails to be agreed, with appropriate resourcing to deliver this from all organisation, then timing of delivery of the new integrated organisation will be severely delayed	3	4	12	SRO Programme Aspire	Blueprint not yet agreed to define the programme to enable resourcing to be understood governance paper being taken to NCC Cabinet in July	3	4	12	It is vital that clear commitment is there from all parties to deliver on this agenda. This means more than agreeing the paper and putting this into action. Governance Paper not yet taken to NCC cabinet and therefore risk remains at pre-response levels	Jul-14	Open
28	Feb-14	If the Government do not signal any intention for legislation post-election for police-fire governance then the opportunities for complete integration are limited	3	4	12	Transformation Portfolio Manager	OPCC looking to influence national agenda Impact can be reduced by gaining clear local commitment to going as far as possible without legislation (which could be single organisation in all but name)	3	4	12	Response not yet actioned and therefore risk remains at pre-response levels	Jul-14	Open
21	Jan-14	If Estates fails to deliver a fit for purpose estate then the ability for Aspire to deliver the required changes in culture may be impacted	3	3	9	SRO Programme Estates	Masterplan for Estates being developed	3	3	9	Delay in estates increases the potential impact. Response not yet in place so no change in risk status	Jul-14	Open
1	Jul-13	If performance improvements drop off from the current positive trajectory then resource is diverted to deal with the immediate operational issues	3	4	12	Chief Constable	Commitment to transformation as a key driver to performance improvements by PCC and Chief Constable. Transformation Board and portfolio approach in place CC keeping focus on performance, driving operational improvements	2	4	8		Jul-14	Open

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9	Jul-13	If sufficient funding is unavailable for the proposed portfolio of work then the portfolio will need to be rescope or will fail to deliver the benefits	2	5	10	Transformation Portfolio Manager	Phase projects/programmes to ensure funding is available when required, if necessary scaling down ambitions to fit budget. Setting up portfolio office to advise on scope of portfolio and to work with finance colleagues to ensure investment need is balanced against available budgets and across the portfolio, informing decisions on investments where choices have to be made.	2	4	8	Scope appears within available budget currently	Jul-14	Open
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10	Jul-13	If the proposed changes are not acceptable to central government ministers and departments then the portfolio may not be possible to deliver in its current format	2	3	6	Transformation Portfolio Manager	Engagement within programmes that have a high reliance on national interventions. Engaging early with national stakeholders. No active response at this stage	2	3	6	Linked to issue 3	Sep-14	Open
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Estates Strategy

John Raisin, Interim Assistant Commissioner Policy & Resources

Independent Audit Committee: 25 June 2014



Overview

- New & Developing Operating Models
- Ageing Estate
- Financial Constraints
- Estates Programme Board (OPCC, Northamptonshire Police, Fire & Rescue, County Council)




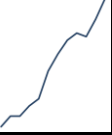






Programme Estates Board


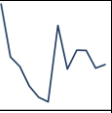
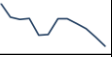

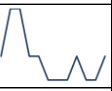




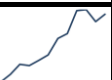
- Develop a 21st Century Estate consistent with new Operating models
- Consider the case for relocating the present Force HQ
- Consider the case for consolidation of non-customer facing services
- Exploit the impact of Mobile Technology on Estates

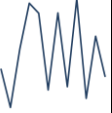





Force HQ Site and Wootton Park School

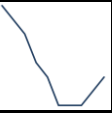
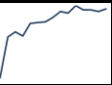










- There is no dependency between decisions relating to Force HQ and Wootton Park School
- No decision has been taken as to the future of the Force HQ. A decision to stay or leave the site will be determined on operational and financial grounds.
- An application for a Free School known as Wootton Park School has been made to the Department for Education by an Independent Trust
- This Free School application may or may not be approved and could be built on any site

Indicator	Mar-13	Status	Trend	Commentary
CUSTOMERS				
Victim satisfaction	81.5%	84.7%		Satisfaction with overall service has improved over the last 12 months with the last 7 months consistently above 84%. Victims of Burglary are the most satisfied overall (92.5%) and Violent Crime victims the least satisfied overall (78.5%). Satisfaction with call handling and actions taken are improving with satisfaction with treatment and follow-up stable but higher than 12 months ago.
Public confidence (Police only)	82.6%	86.3%		Public confidence (Police only) continues to increase within the county with over 86% of people surveyed feeling the police are dealing with local issues that matter to them. Northampton remains the highest CSP at 89.1% and Wellingborough the lowest at 83.3% although this is increasing.
Public confidence (Police and Council - joint measure)	63.3%	61.5%		Public confidence (joint measure) continues to decrease within the county with less than 62% of people surveyed feeling the police and local Council are dealing with local issues that matter to them. Corby is the highest at 66.5% and Northampton the lowest at 57.8%. The difference between this measure and the one above shows the strength and perception of the council.
Complaints from the public	38	47		The number of public complaints (by month) is showing a slight increasing trend especially in last couple of months but no exceptions. Averaging at 39 complaints per month over last year.
Call answering times				
999 (Definition of service level: 90% in 10 seconds)	93.6%	93.6%		Call answering times exceed 90% and have done so for over 15 months but have fallen slightly over the last couple of months.
Non emergency (Definition of service level: 80% in 30 seconds)	87.4%	84.9%		Non emergency calls remain consistently above target but have shown a slight decline in the last 2 months following increases in call volumes. May 2014 was the lowest month since Sep 13 at 84.9% but still improved on 2012 performance.
Response times (% attended within service level)				
G1 (Attend rural G1s in under 20 minutes, urban G1s in under 15 minutes)	83.0%	82.9%		G1 Response times within the service level have shown a gradual decline over the last 12 months falling to 80.8% in Mar 2014. April and May have since shown improvements back to average. The Force has consciously not set a target as it wants its drivers to attend to incidents responsibly not necessarily quickly.
G2 (Attend all G2s in under 60 minutes)	53.5%	59.2%		G2 response times within the service level shown a gradual increase over the last 6 months, the latest month 59.2% is the highest for 16 months and reflects additional work within the Control Room to tighten recording and processes. The Force has consciously not set a target as it wants its drivers to attend to incidents responsibly not necessarily quickly.




Indicator	Mar-13	Status	Trend	Commentary
PEOPLE				
Workforce strength				
Officers	1267.69	1231.03		The force establishment is 1220 officers and is managed through strategic workforce planning to keep numbers just above this level.
Constables	945.12	927.76		The number of constables has fluctuated over the last 12 months but has stabilised during 2014. The force is currently interviewing for future intakes to replace those officers due to retire during 2014 and 2015.
Sergeants	224.07	214.72		The number has slowly fallen over the last 12 months, in line with the target operating model requirements.
Inspectors	62.5	55.55		Inspectors have seen a reduction over time in line with the planned reductions in this rank according to the future direction/model of the Force.
Chief Inspectors	20	19		This rank has seen a reduction over time in line with the planned reductions of Chief Inspectors according to the future direction of the Force. Recent numbers are stable
Superintendents	10	8		This rank saw a reduction in July 2013 in line with the planned future direction of the Force with recent numbers stable
Chief Superintendents	2	2		This rank is stable following a reduction from 3 to 2 in July 2013
ACPO	4	4		This is stable in line with the future direction of the Force
PCSOs	126.84	131.95		Number of PCSOs is at its highest point since Oct 12.
Operational Frontline		1100.75		90.2% of officers are in frontline roles, with a further 7.3% in operational support roles and the remaining 2.5% in back office roles.
Operational Support		89.74		This is consistent with previous years and other forces using HMIC data.
Business Support		35.81		<i>The difference in totals with officer strength is due to where a function as not been assigned or the Home office code is 62 Other.</i>
Police Staff	856.67	864.73		Police staff numbers fell during the middle of 2013 but have since started to rise slowly. The force anticipate reductions in police staff during 2014/15
Operational Frontline		393.33		45.5% of police staff are in frontline roles (forensic officers, PCSOs), with a further 22.7% in operational support (control room, intelligence) and the remaining 31.8% in back office roles. All elements will be reviewed as part of the financial savings required.
Operational Support		196.68		<i>The Difference in totals are where a function as not been assigned or the Home office code is 62 Other</i>
Business Support		233.07		
Special constables	226	321		Volumes are increasing slowly and are currently at their highest ever number. Further intakes are planned for the rest of 2014. The force is working flat out to achieve the interim target of 500 by December 2014.
Volunteers	185	540		Significant increase in volume of volunteers due to active recruitment and the expansion of community Speed Watch.
Cadets		155		The number of cadets is increasing and we now have wider coverage across the county.

Indicator	Mar-13	Status	Trend	Commentary
PEOPLE				
Sickness (average days lost)				
Officers	6.81	7.7		Officer sickness fluctuates widely throughout the last 12 months but has reduced in the last quarter. 7.7 average days for April is much lower than December 2013 and March 2014 which were particularly high. The average for the last 12 months is 8.6 days per year.
Staff	8.4	4.55		Staff sickness has fallen over the last 12 months to its lowest levels during March and April at less than 5 per month. The average for the last 12 months is 7.8 days per year.
Officers on Recuperative duties	33	44.11		3.6% of officers are currently on recuperative duty. However, these officers are making a positive contribution to the force and adding value.
Officers on Restricted duties	52.29	63.07		4.8% of officers are currently on restricted duty. These officers are still making an active contribution and supporting their colleagues freeing up other officers time.
Turnover				
Officers		0.5%		Remains low. Little historical data for comparative purposes but May is consistent.
Staff		0.3%		Staff turnover has fallen sharply in the last month having previously been above 1%.
Staff survey results (conducted January-February 2014)	<p>1,498 members of staff completed the survey, which is a response rate of 62%. Quality of supervision was found to be high across the board with supporting and fair, listening and trust core themes. Within reward and recognition, respondents were in the middle of the range indicating it varies between roles, departments and individuals. Most staff feel they are empowered to do a good job although officers were lower than staff and PCSOs. The majority of the workforce were positive towards the public and citizen focus, albeit officers were on average less likely to score positively. Senior leadership was more mixed but on the whole more positive. In health and wellbeing, officers were more likely to respond negatively citing work life balance, shift patterns and staff shortages as their main reasons. There was a higher level of uncertainty for police staff which impacted on their attitudes towards change. In terms of diversity, everyone scored this highly and felt the force addresses discrimination effectively. Other question areas generally scored well. In relation to the PCC, a third of the overall staff had met him personally and 30% felt he was doing an excellent or good job.</p>			

BUSINESS				
Force priorities	Yr. End Mar-14	Status	Trend	
All Crime reduction	-12%	-11%		Strong performance nationally and ranked 1st of rate of change. Recent months showing increases in recorded crime which is in line with national trends. Currently ranked 26th for rate per 1k. 11% reduction over the last 12 months.
All Crimes resolved (cumulative rate)	29.1%	29.4%		Resolved rate is improving and remaining at some of the highest levels recorded by the force. Ranked 21st nationally and now achieving our target of top half of forces.
Violence reduction	-0.11	-8%		8% reduction over the last 12 months but this is getting smaller following 3 high months of crime March to May. Ranked 25th nationally which is 1 place lower than in May. All elements of violence are increasing in the short term.
Serious Acquisitive Crime reduction	-18%	-19%		Continues to show strong local and national reductions and rate of change is one of the strongest nationally. 19% reduction over the last 12 months and improved to 31st nationally, with the largest reduction nationally. We are within 3 places of our target for this year.

Finance Dashboard				
	Status	Dir. Of Travel	Confid. Level	
Forecast Revenue Expenditure			n/a	See Traffic Light System below
Forecast against £5.8m savings target 2014-15			4.53	Weighted Average Confidence Level out of 5
Forecast against £6.2m savings target 2015-16			1.41	Weighted Average Confidence Level out of 5

Key for the traffic light system

-  Actuals are tracking profiled budget and variance/ forecast year-end position is either under budget or less than 0.5% of budget. Needs minimal monitoring. **(In non accounting terms this means everything is ok and spend is where it should be at this time of year)**
-  Variance/ forecast year-end position is between 0.5% and 1% over budget. This needs close monitoring to ensure actuals are moved back into line with profile. **(In non accounting terms either what you have spent so far or where we are expected to be at the end of the year is at least 0.5% overbudget).**
-  Variance/ forecast year-end position is greater than 1% over budget. The spends on this budget need investigating and actions put in place to try and manage the finances back to within 1% of budget. **(In non accounting terms this is not good and if this is not actively managed the unit will not meet its performance target)**

**TOTAL PCC BUDGET
£'000**

	Staff	Other	Income	TOTAL
PCC Office	681,515	258,485	0	940,000
Transformation	190,000	20,000	-210,000	0
Policy News and Public Involvement	783,309	146,691	0	930,000
OFBCI	53,000	17,000	0	70,000
Institute	0	520,000	0	520,000
Commissioning	0	2,080,738	-390,738	1,690,000
Legacy	0	30,000	0	30,000
HMG Innovations Fund	0	900,000	-900,000	0
PCC Initiatives Fund	0	0	0	0
Inflation contingency	0	76,000	0	76,000
TOTAL	1,707,824	4,048,914	-1,500,738	4,256,000



NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER

Report to the Audit Committee
25th June 2014

Report of the Interim Assistant Commissioner Policy and Resources

BUDGET OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER

RECOMMENDATIONS

The Audit Committee is RECOMMENDED to note and comment on the Office of the Police and Crime Commissioner's approved budget for 2014 -15.

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1 BACKGROUND

- 1.1 A budget sets out the financial resources available to an organisation to deliver its agreed priorities.
- 1.2 The Budget of the Office of Police and Crime Commissioner for 2014 -15 is £4.256m. This sum is allocated over a number of budget cost centres as set out in this report in the **appendix**.

1.3 From time to time during the financial year additional budget may be authorised, financed from approved financial reserves such as the Transformation Fund and Initiatives Fund.

JOHN RAISIN

Interim Assistant Commissioner – Policy and Resources

Author: John Neilson – Strategic Resources Manager

Background Papers: None



Northamptonshire Police Strategic Risk Register – June 2014

Ref	Description	Inherent Risk			Response Measures	Residual Risk			Comments	Status
		L'hood	Impact	Score		L'hood	Impact	Score		
CR 57	Austerity continues beyond 2018/19 placing additional pressure on the Force's capacity and capability.	5	4	20	Change Programme to increase prevention activities through demand analysis. Increased availability and visibility through mobile data. Better allocation of resources and response through demand analysis and Resources BI. Empowerment and multi tasking resulting in role development and transformation. Flexible and agile virtual working.	4	4	16	Short and long term plans have been developed to deliver a balanced budget over the next 4 years.	→
CR 60	Due to insufficient capacity the Force / ONPCC are unable to deliver all of the programmed changes that are required to fulfil the Police and Crime Plan resulting in a failure to meet operational or financial targets.	4	5	20	A Transformation Programme has been developed to plan and manage the required changes.	3	5	15	£1.5m funding has been secured from the Home Office Police Innovations Fund over the next 2 years for a combination of developing the estate and expanding the concept of Police/Fire Community hubs as well as developing the demand modelling for the future Force.	↓
CR 19	Less funding available, both from public and private sources to enable the force to prepare for growth.	5	5	25	The situation will be continually monitored to identify any specific developments and inform the Force's strategic and operational planning processes. The Force will work in partnership with the Local Planning Authorities to ensure that community safety and policing capital requirements are factored into planning policy.	3	5	15	Dialogue is ongoing with West and North Northants Joint Planning Units regarding developer contributions to the cost of policing.	→

Ref	Description	Inherent Risk			Response Measures	Residual Risk			Comments	Status
		L'hood	Impact	Score		L'hood	Impact	Score		
CR 69	Due to unplanned additional reductions the Force is unable to balance the budget for 2015/16 impacting on operational performance and capacity.	4	5	20	In the short term, use of reserves. In the longer term revisit Programme Brief Business Case to adjust weighting in terms of drivers for change. Redefine Programme to take into account the economic change and blueprint design to deliver increased savings.	3	5	15	The Force has a plan which will deliver a balanced budget that would only be affected if there was any further significant top slicing. Top slicing resulted in an additional £1.12m cut in 2014-15. The same could happen in 2015-16. The Change programme may not be able to deliver the required level of savings. The planned savings of 30% from police staff have increased to 38% now that forensics and CJ are out of scope.	→
CR 71	Grant reductions beyond 2015/16 are greater than 2% resulting in an increased budget deficit.	4	5	15	In the short term, use of reserves. In the longer term revisit Programme Brief Business Case to adjust weighting in terms of drivers for change. Redefine Programme to take into account the economic change and blueprint design to deliver increased savings.	3	5	15	For every 1% above this the Programme will be required to deliver an additional £0.75m of savings. The Change Programme may not be able to deliver the additional required savings.	→
CR 61	Failure to deliver key outcomes of the Police and Crime Plan relating to the recruitment of specials and volunteers and collaboration with other agencies will place increased demand on the Force which could result in reduced performance, budgetary pressure, loss of public confidence and possible adverse publicity.	3	5	15	A Transformation Programme is in place to manage the required changes.	2	5	10	The Force currently has 321 Specials, 540 volunteers and 155 cadets. The recruitment plan and targets have been adjusted and are more realistically achievable which therefore reduces the likelihood that we will miss the target. Also a project board has been formally convened to take accountability and responsibility for delivery Forcewide, also reducing the likelihood that we will fail to realise the benefits.	↓

'Status' key – ↓ risk decreasing, → no change, ↑ risk increasing